The influence of critical service incidents in a health and fitness club environment: exploring buyer and seller relationship perspectives

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April 2004

Abstract

The study of critical service incidents has been extensively investigated in service marketing, however, very little attention has been paid to the role that these incidents have in the building, development and maintenance of marketing relationships. This thesis sought to address the deficiency in knowledge on the subject by exploring the critical service incident from a relational exchange perspective, with the members and management of a health and fitness club providing the central focus of the buyer-seller relationship. This investigation adopted a pragmatic philosophy in methodological design, arguing that the research had to be conducted within real time business constraints. Action research was used as an umbrella strategy for this investigation which incorporated a multi-method research design that consisted of; participant observation, in-depth interviews, a management group discussion and a telephone survey to investigate the questions of each research cycle. Whilst existing service marketing literature implies that positive and negative critical service incidents result in the bi-polar outcomes of buyer loyalty or switching respectively, the findings of this research demonstrated that the critical service incident may not be that critical to the development and maintenance of the relationship. The thesis makes an original contribution to knowledge by developing existing relationship marketing theory and making explicit the influence of the critical service incident on the buyer-seller relationship that is implied in service marketing literature. This thesis proposes that the critical service incident, produces buyer inferences, effects and consequences that result in a tendency toward loyalty or switching and that when the duration of the buyer-seller relationship is considered, these evaluative buyer judgements produce a phenomenon termed 'relationship elasticity'.

"Do not follow in the footsteps of the Masters, seek what they sought".
Huan-po, Zen Master, circa 850

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Chapter 1: Introduction

1.1 Overview

The strategic importance of customer retention and its significance to corporate profitability has been extensively covered in literature by many authors including; Reichheld and Sasser (1990), Gronroos (1994), and Webster (1998) who found that customer retention and company profitability are positively correlated. More specifically, Keavney (1995) and Mack, Mueller, Crotts and Broderick (2000) linked service quality and its impact on corporate profitability when assessing customer behaviour in relation to service incidents, suggesting that customers would switch service providers following a negative encounter.

The study of critical service incidents has been extensively investigated in service marketing, for example by; Bitner, Booms and Tretreault (1990) who diagnosed favourable and unfavourable service incidents; Keavney (1995) who investigated service incidents and their influence on customer switching behaviour; Botschen, Gunther, Bstieler, Ludwig, Woodside, and Arch (1996) who examined service problems in terms of sequential service incidents; and Smith, Bolton and Wagner (1999) who evaluated the level of customer satisfaction following negative critical service incidents. Yet, very little attention has been paid to the role that these service incidents have in the building, development and maintenance of marketing relationships. Indeed, Roos (2000, p. 194) argues that this problem should be addressed and that there needs to be a better understanding of how customer relationships are influenced by critical service incidents, as they provide a good basis on which customers evaluate the state of the relationship between themselves and their service provider.

This thesis addressed this issue by exploring the critical service incident from a "relationship" perspective, with the members and management of a health and fitness club providing the central focus of the buyer-seller relationship.

Literature has been sourced from the areas of service marketing, relationship marketing and social exchange theory, and as a result, a conceptual framework has been developed and explored over three cycles of action research inquiry. The central theme of this conceptual framework has been informed by the Critical Incident Technique (Flannagan, 1954); Commitment-Trust Theory (Morgan and Hunt, 1994); Relative Attitude-Behaviour Relationship (Dick and Basu, 1994); and Customer Switching Behaviour (Keavney, 1995). The conceptual framework posits that the buyer-seller relationship is a dynamic entity that can be shaped, enhanced, strained and broken by critical service incidents.

This investigation adopted a 'pragmatic philosophy' in methodological design (Greenwood and Levin, 1998; Silverman, 2000) arguing that the research had to be conducted within the constraints of the business setting, the phenomena at hand, access to data and the delivery of information to senior management within short time-scales. As such, action research was used as an umbrella strategy for conducting and operationalising the inquiry. A multi-method approach was subsequently used to explore the critical service incident and the buyer-seller relationship. Therefore, the first research cycle explored the buyer perspective through participant observation and anecdotal interviews; the second research cycle compared and contrasted buyer perspectives of the service incident through in-depth interviews and the seller perspective through a management group discussion; the third research cycle investigated whether negative service incidents were critical enough to encourage members to terminate the relationship. As such, the views of ex-buyers were elicited through the use of a telephone survey. Examining the phenomena from different perspectives, therefore, enabled the corroboration of data through a process of triangulation, thus offering greater potential to improve the credibility, trustworthiness and validity of the findings (Fielding and Fielding, 1986; Seymour, 1988; Guba and Lincoln, 1989).

1.2 Positioning the research

The concept of the critical service incident was developed by Flannagan (1954), who suggested that a critical incident should be considered as an observable action that occurred during a specific interaction. For example, an interaction between a buyer and seller during the course of service provision in a health and fitness club may produce certain actions that could be regarded as identifiable and something out of the ordinary by the party or parties involved. These identifiable actions could, for example, arise in the form of an argument between buyer and seller about the falling standards of cleanliness in the health club, or indeed, a buyer complimenting staff on the high quality of service they received during a personal training session. In both of these examples, Flannagan (1954, p.327) would argue that these events were identifiable by either the buyer, the seller or both parties, and that these specific interactions could be considered as an *"observable incident"* that was critical enough to carry resultant *"inferences"*, *"effects" and "consequences"*.

The primary objectives of this action inquiry research thesis were three-fold. Firstly, for the researcher to gain a comprehensive understanding of the strategic implications of the study of critical service incidents at a host organisation within the health and fitness industry. Secondly, to make a substantive and original contribution to knowledge, and an informed contribution to the management practice. Thirdly, to have a thorough appreciation of implementation issues and have the ability to reflect on strategic change issues in the management of critical service incidents. All three objectives will be discussed in more detail throughout the thesis, however, more specific reference to these intentions are addressed in this chapter, in sections 10.1 and 10.2, and in Chapters 7 and 8.

The existing body of service marketing literature on critical service incidents, in a buyer-seller context, implies that these observable and identifiable interactions result in simple bi-polar outcomes, that is, loyalty from the buyer toward the seller, or termination of the relationship. In contrast the literature from the relationship marketing paradigm implied that the buyer-seller relationship is a "dynamic entity", and was therefore, subject to change. This dynamism could result in a relationship between buyer and seller being in a state of flux, or subject to periods of stability and predictability. It is, therefore, reasonable to assume that a change in the relationship between buyer and seller could be stimulated by a critical service incident. Existing literature in the service marketing domain suggested that these incidents were common place, and that buyers were often encouraged to switch service providers on the basis of these incidents. In addition, the service marketing literature also suggested that there was a timeframe through which a buyer could be managed through a service recovery process to ensure longevity in the relationship.

Again, it could reasonably be assumed that the bi-polar outcomes previously mentioned may not influence the relationship immediately or abruptly, but have a lengthy drawn out impact, something that is more characteristic of social exchange relationships. The premise of this thesis was to take the existing body of knowledge from service related literature and interpret it within the context of the relationship marketing paradigm. In doing so, this would then enable one to explore the critical service incident in the context of an ongoing buyer-seller relationship and undertake an explicit examination of the influence that the critical service incident has on the buyer seller relationship process and identify whether or not it produces the consequential outcomes of loyalty and switching that services marketing literature implies.

The buyer-seller relationship is often characterised by the long-term and interactive relational exchanges, that are particularly evident in service industries, where customers interact directly with service personal and physical resources. The nature of these relationships are such that they are frequently considered as complex, multi-dimensional and involve an interactive social process; Webster (1992); Sheth (1994); Buttle (1996); Zins (2001); Donaldson and O'Toole (2002). This interactive process provides a platform for relational exchange and it is from this perspective that buyers, in the form of health club members, and sellers, in the form of the health club management have been used as a basis to explore the critical service incident.

The review of relationship marketing literature demonstrated a dearth of knowledge that evaluated the critical service incident in a relational context, and in particular the health and fitness industry. Indeed, the literature review identified only four major research studies of specific relevance. In 2001 the Fitness Industry Association conducted an extensive analysis of 70,000 health club members in 64 clubs from 16 different service providers in an attempt to understand the issues associated with high and low member retention rates. The only real attempts to examine the critical service incident and buyer-seller relationships came from studies by Bejou and Palmer (1998) and Palmer, Beggs and Keown-McMullan (2000), and Edvarssson and Strandvik (2000). Whilst this research will be discussed at more length later on, in the first study the authors explored the effects of service failure, in the airline industry, on the levels of trust and commitment between the buyer-seller. In this study, the critical incident was used as a basis to classify and understand the service failure by examining the concerns of over 200 respondents. The aim of the research was to assess the impact of these failures on two specific relationship variables, that was, trust and commitment. In the second study the authors, Palmer, Beggs and Keown-McMullan again used the critical incident technique to investigate the service failure in the restaurant industry by examining the accounts of over 200 respondents in relation to the perceived (in)equity and repeat purchase intentions of buyers. In the third study, the authors Edvarssson and Strandvik sought to identify the criticality of the service incident in the hotel industry, suggesting that criticality needed to be considered in the context of the length of the relationship and a range of other situational relationship drivers. With this lack of research into the critical service incident and the buyer seller relationship in mind, the purpose of this thesis was, therefore, to address the relative absence of literature on this subject, and subsequently, make a contribution to knowledge within the relationship marketing paradigm.

This thesis will conclude that the critical service incident can create buyer inferences, such as, an evaluation of the benefits and costs of maintaining the relationship that result in buyer effects, such as, satisfaction or dissatisfaction, and that these cognitive evaluations may produce the bi–polar outcomes of loyalty or switching as suggested in services marketing literature. However, the findings of the primary research also indicated that the critical service incident may not be that critical to the development and maintenance of the relationship, but may produce a buyer consequence that results in a "tendency" towards loyalty or termination outcomes. There was evidence to suggest that buyers went through a process of evaluation that lead them to being more or less tolerant of the service incident. The thesis will conclude that this tolerance toward the negative service incident produced a phenomenon that has been termed "relationship elasticity" by the researcher, and that future research in the field of relationship marketing could usefully focus on establishing the credibility and validity of this phenomenon.

1.3 Reflecting on the action learning of the Chief Executive

As part of an action research thesis, a primary requirement was to examine a specific strategic change process. Consequently, this thesis examined the learning undertaken by the Chief Executive of the host organisation over the duration of an action research inquiry lasting 15 months. As such, literature has obviously been drawn from Revans (1998), but also a range of contributors to the action learning paradigm, including; Isabella (1993); Zuber-Skerrit (1995); Brockbank, McGill and Beech (2002). Particular emphasis has been placed on ensuring that this literature has been considered in the light of the service setting. Consequently, specific areas of the action learning process such as; assessing changes in the learner's observable behaviour; the incidence of the learner asking increasingly insightful questions; and adaptation of management processes as a result of the learner's reflective practices have all been significant to this element of the thesis.

1.4 The research aim and questions

Conducting research in an area that was underdeveloped in the relationship marketing paradigm inevitably meant that the main thrust of the research would take the form of an exploratory inquiry. The aim and objectives of the investigation were centred around, and informed by, the conceptual framework developed in Chapter 2, the purpose of which was to examine the critical service incident and the buyer-seller relationship, and whether these incidents produced the bi-polar outcomes of buyer loyalty or termination. More specifically, the research questions were generated through a process of peer consultancy discussion with the Chief Executive and an examination of the relevant literature, and as such, were believed to be consistent with the basis of this investigation.

1.4.1 The research aim

To explore the influence of the critical service incident on the buyer-seller relationship.

1.4.2 Research cycle 1: research questions

The questions for the first cycle of research were to gain an understanding of the research environment and phenomena being investigated, by engaging in extended periods of observation, reflecting on people, processes and service interactions.

- Do some critical service incidents naturally occur more often than others?

1.4.3 Research cycle 2: research questions

The findings of the first cycle of research enabled the researcher not only to understand the service environment and themes in the critical service incidents being reported, but to identify the main membership groups in the club. This resulted in the conceptualisation of five primary member typologies. The questions for research cycle two were to explore the views of members from each of the typologies in terms of the critical service incidents that they had experienced and how these had influenced their relationship with the service provider. These findings were then compared and contrasted with those of the senior management at the host organisation. The research questions were;

- Are buyer and seller perspectives of the critical service incident different?

- Does a positive critical service incident lead to buyer inferences, effects and the consequential outcome of buyer loyalty?

- Are some buyers more likely to be influenced by a critical service incident that others?

1.4.4 Research cycle 3: research questions

The data generated from the first and second cycles of research explored the views of existing buyers and sellers and the influence that critical service incidents had on their relationship. In contrast, the third cycle of research sought to investigate the views of buyers who had terminated their relationship with the seller, and in particular, to ascertain whether or not a critical service incident had influenced their decision to end the relationship. In doing so, the resultant data provided an invaluable insight into the negative consequential outcome scenario described in literature. The research questions were;

- Does a negative critical service incident lead to buyer inferences, effects and the consequential outcome of relationship termination?

- Are some buyers more likely to be influenced by a critical service incident that others?

1.5 Limitations of the research

There are three significant limitations to this research. Firstly, the inquiry was exploratory in nature, and as such the sample sizes are small, meaning that the results of this research cannot be generalised to the wider population of buyers and sellers within the health and fitness industry. Secondly, the critical incident technique has been widely challenged within the academic community for its subjectivity in how data is collected and analysed. Whilst the researcher has taken steps to triangulate the data using various methods of data collection, different types of samples, discussion in peer consultancy meetings, and validated the data using a range of methods, the findings have been generated from a phenomenological perspective. Future researchers in this area could usefully investigate and validate these findings using larger sample sizes in order to create statistical significance. Thirdly, the findings have been derived solely from the health and fitness industry, and again, could usefully be tested in alternative service arenas for validation.

As an employee of Bournemouth University, the researcher was provided with full access to facilities, information and staff at the WHC, however, whilst this was welcomed, problems were encountered with the process of influencing and maintaining change initiatives, associated with not being in the organisation on a full time basis.

1.6 The host organisation

The West Hants Club (WHC) acted as the host organisation for this action research inquiry. Located in the leafy suburbs of Bournemouth, on the South Coast of England, it is currently in an enviable position in the local and regional health and fitness market, with a state of the art sports facility that had attracted members in their thousands, and pushed membership limits to near full capacity. The club also has a momentous and colourful heritage. It boasts that many of the sports greatest tennis players, including; Fred Perry, Ken Rosewall, Rod Laver, Illie Natase, Virginia Wade and Evonne Goolagong, had graced its courts since it was built in 1926. Indeed, the British Hard Court Championships were held at the club in 1928 and 1983, an event which had historically been considered as second, only to Wimbledon, in terms of playing stakes and the biggest hard court tennis event any where in the world after the French Open. In addition, in 1968 the club was at the forefront of a sport that was increasingly under pressure to become professional. Delegates from the club negotiated with the governing body of tennis, to hold the world's first "Open" professional tournament. This development lead to the professional tennis era which has seen the game popularised and promoted globally in an industry now worth millions in terms of prize money, sponsorship, and television broadcast rights.

The club had traditionally been an independent private members tennis club known as the West Hants Lawn Tennis Club. However by 1999, the club had fallen into a state of disrepair and an illustrious past was just that, the past. At this point the Lawn Tennis Association purchased the long-term lease of the club, demolishing the existing facility and investing £4.5m in a state of the art sporting complex. Subsequently, the primary focus of service provision moved away from the sole provision of tennis, to one that also sought to take advantage of the emergence of the health and fitness phenomena of the 1990s. As a result, the Lawn Tennis Association re-launched the club as the West Hants Club, dropping its lawn tennis identity, preferring instead to promote it as a family club, where its members could take advantage of first class tennis and health and fitness facilities.

The WHC, under the management of the LTA, had now developed into a breeding ground for young competitive tennis players, holding local, county, national and international tennis tournaments. It had also succeeded in attracting a significant amount of new members, from competing health and fitness, and tennis clubs in the local and regional area. Overall, membership was at 98% of capacity during the research period, with several membership categories being full and operating waiting lists.

1.7 The Lawn Tennis Association (LTA)

The LTA is responsible for the promotion of the game to newcomers, schools and tennis clubs under its Community Tennis Partnership as well as running major international tennis tournaments (www.lta.org.uk). However, they and their association members have often been criticised for being an elitist organisation providing a hobby for a few privileged adults.

Those players *"from the wrong side of the tracks are not wanted by most private tennis clubs"* (www.globalarchive.ft.com).

In February 2001, the LTA's Club Vision Scheme was launched, providing £10m to private tennis clubs to become nurseries dedicated to nurturing the country's best young talent in the hope of providing a British male Wimbledon Champion for the first time in 65 years. However, the middle-class amateurs who primarily run and frequent the 2,400 clubs in the country had largely ignored this initiative, arguing that implementation would restrict their access to courts. As a result, only 60 (2.6%) of LTA clubs signed up to this controversial scheme (www.globalarchive.ft.com). The inability of private tennis clubs to change and adapt to an increasingly competitive environment is further demonstrated by the number of clubs in the UK, which had fallen from 5,000 to 2,400 over the past decade. The key drivers of this decline would appear to have been the ambivalence toward youth initiatives and widening access to play tennis, by the private clubs, and the flow of members away to more fashionable health clubs (www.globalarchive.ft.com). Midgley (2001, p.2) illuminated this stagnation and decline in private tennis clubs by stating that *"the culture of these clubs must change if we are to have any chance of developing great players, otherwise we will be playing leisure tennis"*.

1.8 A highly competitive industry

The UK Health and Fitness Industry has enjoyed significant expansion in recent years, but is now characterised by an increasingly turbulent competitive environment. In the short term, industry analysts expect growth through acquisition, critical mass, and customer retention to be the key strategic issues facing most service providers.

The sector, which has a current market capitalisation of £1.25bn, is forecast to *"increase revenues by 57% to £1.97bn by 2003"* with gym membership predicted to *"rise from 5% of the adult population to 8% over the same period"* Mintel (1999). This notable level of industry growth subsequently attracted a flood of new entrants into the industry, with 22% more health and fitness clubs than there were five years ago. This had resulted in a saturated market place and intensified the level of competitive rivalry. Many service providers in the industry were exposed to an increasingly difficult competitive environment that resulted in falling profit margins, deteriorating share prices, acquisition and merger activity, and for some providers, falling into administration during the period of this action research inquiry (Rigby, 2001; Mintel, 2002; Anon, 2003). The hardening of competitive conditions subsequently resulted in many service providers engaging in customer retention activity as a strategic priority, in an attempt to ensure long-term survival in an increasingly turbulent competitive environment.

1.9 Competition at local level

There is a wide range of choice of service provider for tennis and health and fitness in the local area, ranging from budget local authority provided facilities to premium private member clubs. The WHC operate at the premium end of the health and fitness market which places it in direct competition with such service providers as; the East Dorset Lawn Tennis & Croquet Club, Dorset Racquets and Health Club, David Lloyd, Fitness First, the Littledown Centre, and The Dormy. In additional to this, there are 15 LTA affiliated small private tennis clubs in the local area.

1.10.1 A contribution to knowledge

As mentioned previously, this thesis sought to make an original contribution to knowledge in the field of relationship marketing by investigating the critical service incident in a relational context. The outcome of this objective can be considered at two levels.

Firstly, and in its broadest sense, this thesis sought to overcome one of the main problems leveled by the practitioner community at academics; how do you convert relationship marketing theory into a relationship marketing practice that is operationlaised by managers on a day to day basis? This action research inquiry has helped gain some insight into this question, from which the researcher has subsequently had published in the peer reviewed journal *International Journal of Customer Relationship Management* (see Appendix 10). This paper provides the researcher's thoughts and reflections on how relationship marketing should be considered at the corporate level, before moving to the operational level and how customer relationships and customer knowledge should be managed in a range of day to day activities.

More specifically, this research makes a number of specific contributions to a rather limited knowledge bank regarding the critical service incident in a relational context. Firstly, this thesis substantiates the previous work of Bejou and Palmer (1998) and Edvardsson and Strandvik (2000) who suggested that the influence of the critical service incident on the buyer-seller relationship needed to be considered in the context of the duration of the exchange partnership. They argue that the service incident provided the buyer with an opportunity to evaluate the relationship with the seller in terms of the past, present and future direction of the relationship. The findings of this research confirmed the 'time factor' in so far as when the social bonds between buyer and seller are developed and mature, the buyer becomes more tolerant towards the influence of the negative service incident.

Secondly, this thesis adds to existing knowledge by suggesting that there is a rich and fertile middle ground that exists in a dynamic relationship between buyer and seller. The existing literature from the service marketing paradigm implies that the critical service incident acts as a stimulus to greater levels of buyer loyalty, or, as an incentive for them to switch service providers. From a relationship marketing perspective, the services marketing literature presents this phenomenon as a rather categorical and uncompromising buyer experience that resulted in the bi-polar outcomes of customer loyalty or switching behaviour. A conclusion from this research suggests that the critical service incident does not summarily produce the consequential outcomes of loyalty or switching, but, produces flex or stretch in the relationship, a phenomena that has been termed *'relationship elasticity'* by the researcher. This elasticity in the relationship is otherwise unknown in existing literature and suggests that the buyer's attitude and behaviour is moderated by a range of relationship drivers that result in the buyer-seller relationship tending towards being more loyal following a positive service incident, or less loyal following a negative service incident.

Thirdly, by incorporating the notion that the critical service incident produces stretch in the relationship, and that the buyer-seller relationship has elasticity, this thesis contributes to knowledge by proposing that different types of buyers have different relationship elasticities. Whilst the work of Edvardsson and Strandvik (2000) and Palmer, Beggs and Keown-McMullan (2000) proposed that different types of buyers react differently to the influence of the negative service incident, they did not consider the idea that through a process of incident, inference, effect, and consequence, these different types of buyers could have different elasticities in their relationship with the seller.

Fourthly, this thesis makes a further contribution to knowledge by investigating the consequences of the critical service incident in terms of the relative attitude and behaviour of the buyer. It was found that the service incident could influence the buyer in so far as their relative attitude and behaviour could change, from being, say, loyal to being spuriously loyal. Whilst Edvardsson and Strandvik (2000, p.86) argued that the influence of the service incident on the buyer should be considered in the context of the *"situational dimensions"* of the internal and external relationship, this thesis has further developed this vein of thought by arguing that the influence of the critical service incident, on the buyer, brings into play an assessment of the competitive alternatives available in the market place. This subsequently leads the buyer to assess the costs of terminating the relationship (internal factors), in comparison to the benefits provided by potential new service providers (external factors) in order to arrive at an assessment of their 'relative attitude' towards the current and potential service provider. This in turn, points to the importance of investigating the critical service incident in terms of buyer inferences, effects and consequences, as it is this that will enable service providers to predict the buyer's relative attitude, behaviour and future loyalty toward them.

In summary, this thesis primarily contributes to knowledge in terms of adding to a limited amount of literature in understanding the critical service incident in a relational context.

It proposes the existence of the phenomena of relationship elasticity, whereby the buyer responds to the critical service incident in accordance with the competitive environment in which the relationship exists, and any tendency toward buyer loyalty or switching behaviour is based on the underlying determinants of the relationship. However, the question of whether this relationship elasticity phenomena makes a "significant" contribution to knowledge must be called into question. The researcher re-evaluated the relationship marketing and services marketing literature for evidence tolerance, or elasticity, in buyer-seller relationships in relation to critical service incidents. Whilst there was no evidence to directly identify the phenomena of relationship elasticity, there were a number of empirical research studies from both the service marketing and relationship marketing paradigms that were "broadly descriptive" of relationships being placed under strain, enhanced and stretched toward the consequential outcomes of loyalty or termination by a single, or series of critical service incidents.

1.10.2 A contribution to practice

This thesis has also made a contribution to the practice of managing buyers and critical service incidents in an attempt to maintain relationship longevity, by practicing managers and staff at the WHC. Indeed, it is this desire to help inform practicing managers that is at the heart of Flannagan's (1954) original work on the Critical Incident Technique, yet, it would appear that this seminal contribution to management research has, by and large, been remembered more for producing a method of collecting and classifying a range of critical incident data. Yet his original purpose was not to dwell on the method of data collection, but rather to consider the nature of the output of his investigations, and to provide managers with an opportunity to understand defined service contexts and implement change management programmes to resolve problematic situations. Indeed, whilst his 1954 paper, *The Critical Incident Technique,* for the American Institute for Research promulgates the use of the critical incident technique, it seems to have been forgotten that the author sought to demonstrate the use that this technique could have in a range of managerial applications that could *"provide solutions to problems" (p.355)* by basing managerial action on the research findings generated by the technique. In contrast, much of the subsequent empirical research that followed, used the technique to identify service management issues. However, this was more indicative of Tranfield and Starkey's (1998, p.347) mode 1 agenda of knowledge production where *"little attention is given to exploitation by practitioners"* never mind the possible iterative implementation that action research affords.

As mentioned previously, a primary objective of this thesis was to make an informed contribution to management practice by having a thorough appreciation of implementation issues and have the ability to reflect on strategic change issues in the management of critical service incidents. This contribution can be considered at three levels. Firstly, by engaging in a knowledge production system that offered the findings of this research to the wider practitioner audience in the form of published articles in *Leisure & Hospitality Business* and *Brand Republic.* These articles considered areas such as customer satisfaction, managing service incidents and buyer switching decisions.

Secondly, the discussion in peer consultancy meetings and reflection on the findings and subsequent change management initiatives were encapsulated in the form of the action learning of the Chief Executive, as demonstrated in Chapter 7 of this thesis. During the course of three research cycles he overtly moved from being a leader who was more concerned with growing the business at all costs, rather than focusing on the delivery of a quality service and building long-term relationships with his members

Thirdly, this on-going action learning process contributed to the working practice of the Chief Executive, his management and staff at the WHC, in the form of actionable initiatives for the management of critical service incidents and the relationship between themselves and their members. At a tactical level this action research enabled the WHC to; obtain and consider the views of their members, identify different membership typologies, re-establish previously defunct communication channels between themselves and their members, and help them to understand the competitive environment in which they work in the form of members relative attitude and behaviour. The introduction and success of these tactical initiatives in the management of members and critical service incidents, eventually lead to a more strategic imperative. The strategic challenge for the WHC was to shake off the shackles and heritage of a private members tennis club and move toward a marketing orientation in service provision. This move would, therefore, provide an environment where members enjoyed a range of sporting activities in a service setting that encouraged two way communication, where staff could empathize with their members and resolve conflict to mutual benefit. The findings of this thesis, therefore, provided a springboard for the Chief Executive to implement the strategic initiative of the Investors in People award at the WHC, with the intention of raising the standard of service provision. By adopting a national framework for improving staff skills and motivation through consistent and ongoing training, the Chief Executive's aim was to help his management and staff become more customer focused in order to improve their service orientation. This in turn, may ultimately lead to the long-term profitability of the organisation, particularly in an increasingly competitive environment.

Chapter 2: Literature Review

"A prudent man must always follow in the footsteps of great men".

Niccolo Machiavelli, Political Philosopher,1516

2.1 Overview

The purpose of this chapter is to present a critical review of the relevant literature underpinning this action inquiry thesis. During the course of three action research cycles, the primary aim was to explore critical service incident, both positive and negative, and the influence it had on the buyer-seller relationship. One of the problems experienced with such an undertaking was that discussions, during the peer consultancy, moved from one area of investigation to another in an attempt to explore and understand a range of issues associated with critical service incidents, service management and the buyer-seller relationship. Over the course of the inquiry, discussions with the Chief Executive of the WHC resulted in two focal areas of study emerging. That was, that in order to effectively explore the phenomenon, data would have to be collected from current members as they were considered loyal, and in contrast, data would have to be collected from ex-members, as they were considered to be disloyal. As a result, covering such a diverse range of activity, from a theoretical perspective, was challenging. Whilst the theoretical paradigms of services marketing and social exchange are well established, the main thrust of the thesis was relationship based. This also provided a further obstacle as the relationship marketing, at best, could be considered as a concept at the pre-paradigm stage of development, and as such, the literature is characterised by fragmented ideas and un-replicated theories which were not always tested empirically.

As a consequence of having an action research agenda comprising of diverse, but related, perspectives associated with the critical service incident and the buyer-seller relationship, and a fragmented theoretical base, the literature presented in this chapter has had to be drawn from a variety of divergent sources. These literature sources include; critical service incidents, services marketing, relationship marketing, social exchange, customer satisfaction, customer loyalty, and customer switching. Having acknowledged these difficulties, the literature that underpinned this investigation still enabled the researcher to develop a suitable conceptual framework to investigate the phenomena. The framework reasons that the buyer-seller relationship is a dynamic entity that can be shaped, enhanced, strained and broken by critical service incidents. These incidents can subsequently produce buyer inferences and effects that can result in a positive consequential outcome that may lead to greater customer loyalty, or, a negative consequential outcome, may result in the customer switching to another service provider.

At the outset, the literature review will define critical service incidents and its form in a relational sense before moving on to consider; the nature of buyer-seller relationships, and the subsequent influence that critical service incidents can have on customer satisfaction, customer service expectations, customer loyalty and customer switching behaviour.

2.2 Defining a critical service incident

The critical incident technique has been extensively used in the domains of management and service marketing research to assess; *"human and organisational behaviour"* Thomas (1989); *"diagnosing favourable and unfavourable service incidents"* Bitner, Booms and Tretreault (1990); *"customer switching behaviour"* Keavney (1995); *"process orientated approaches to service delivery"* Botschen, Gunther, Bstieler, Ludwig, Woodside, Arch (1996); *"customer judgements of service quality"* Strauss and Weinlich (1997); *"service failure and loyalty"* Bejou and Palmer (1998); *"customer satisfaction with service failure and recovery"* Smith, Bolton and Wagner (1999).

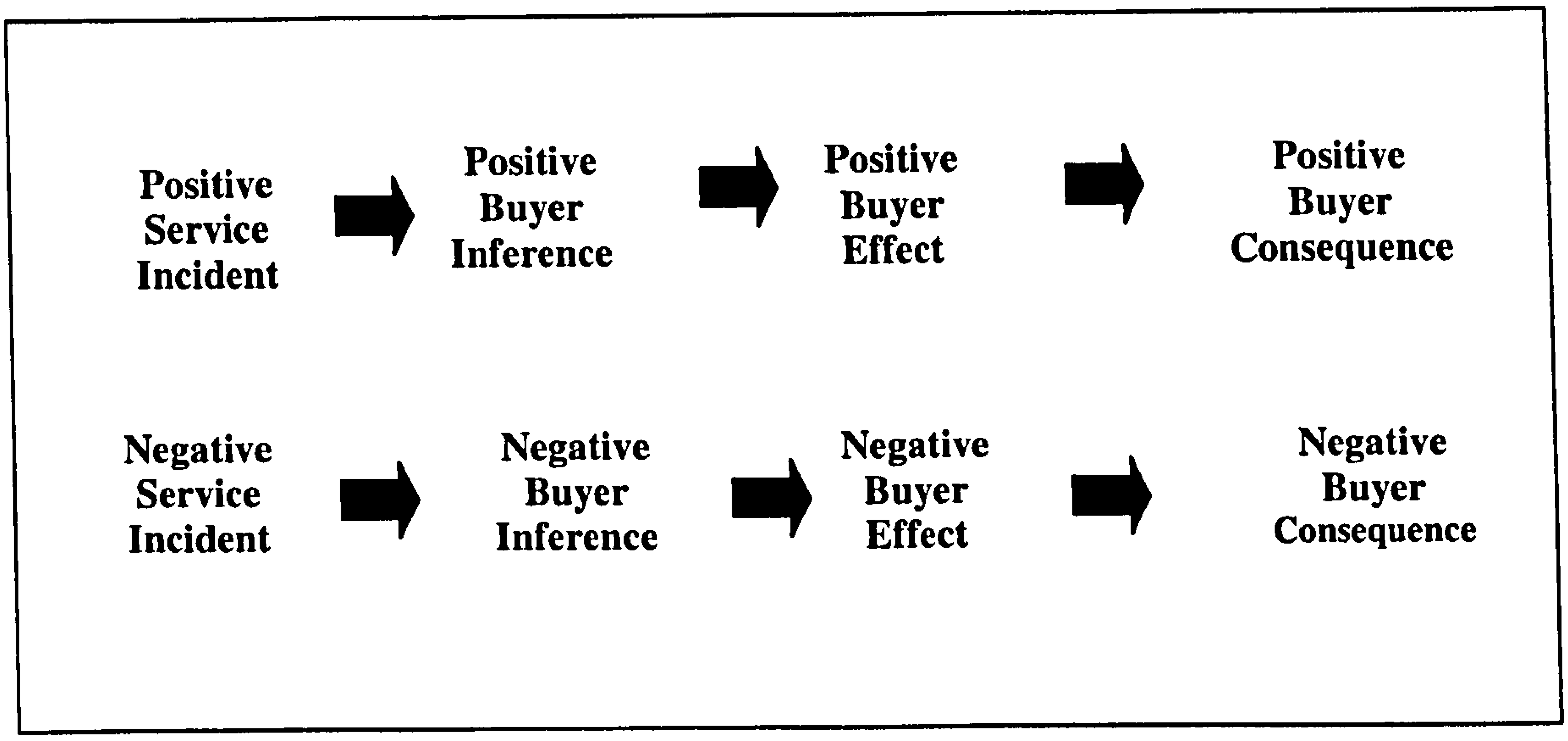
However, many researchers have taken different perspectives of the critical service incident in their research. For example, Shostack (1998, p.185) takes a more broad-based approach, postulating that critical service incidents are a part of a wider definition of the events, that is the service encounter, being *"a period of time during which a consumer directly interacts with a service"*. She goes on to point out that these encounters take three primary forms; the remote encounter, indirect personal encounter and the direct personal encounter, which in composite, means that the quality of the encounter becomes a function of the overall service design and customer perceptions of service quality. However, Bitner et al (1990); Bejou and Palmer (1998); Odekeren-Schroder, van Birgelen, Lemmick, de Ruyter, and Wetzels (2000); Edvardson and Strandvik (2000) consider the definition of the service encounter as being too broad and that the critical service incident is a more appropriate concept to understand the buyer-seller relationship. The key constructs of these incidents are that they are "observable human activities" that are in themselves "memorable" in the mind of the buyer and are critical enough to carry resultant inferences, effects and consequences for the relationship.

These constructs have to a large extent been adopted and developed from Critical Incident Theory and the pioneering work of Flanagan (1954, p.327) who originally used this method to assess a range of management functions. He defined this technique as;

"...any observable human activity that is sufficiently complete in itself to permit ***inferences*** *and predictions to be made about performing the act. To be critical, an incident must occur in a situation where the purpose or intent of the act seems fairly clear to the observer and where its* ***consequences*** *are sufficiently definite to leave little doubt concerning its* ***effect****".*

Closer examination of Flannagan's (1954) definition reveals the significance of his interpretation of the critical service incident to the development of this action inquiry thesis. As highlighted in bold above, the key constructs of this definition have been more closely examined in the context of the buyer-seller relationship. Firstly, a critical service incident may produce an *"inference"* by the buyer, that is, a value judgement, a notion, or an assumption about the service being provided by the seller. Secondly, the service incident may produce some form of *"effect"* in the buyer, that is, resulting in something more solid, producing a more substantive influence on the relationship. Thirdly, the critical service incident may then logically progress from an inference and effect toward something more consequential, such as buyer loyalty. For example, a positive incident may lead the buyer to infer that the service quality is good, producing an effect of satisfaction that consequently leads to a more positive attitude toward the service provider in the form of customer loyalty. Indeed, the opposite may be true. A negative incident may mean that the buyer's inference of service quality is poor, producing an effect that results in dissatisfaction toward the service provider, with the ultimate consequence that the buyer decides to terminate the relationship. This attitude-behaviour process has been represented as a linear process in Diagram 1 below. Whilst this schematic may be too simplistic a notion to represent a dynamic buyer-seller relationship, it does take the essence of Flannagan's (1954) definition and extends it by developing a relationship interpretation, therefore, providing a useful framework for the development of this investigation.

Diagram 1: A Relationship Dimension to the Critical Service Incident



2.2.1 The influence of the critical service incident on the buyer-seller relationship

There is substantial support from Keavney (1995); Zeithaml and Bitner (1996); Hoffman and Bateson (1997) and Palmer, Beggs and Keown-McMullan (2000) to suggest that customers will stop doing business with a company on the basis of a service related failure and resultant customer dissatisfaction. This service failure is often characterised by the interactions between service provider staff and their customers, constituting what is widely known as a critical service incident.

This feeling of dissatisfaction and uncertainty with the service delivery can result in customers being less trustworthy, less committed to the relationship and may stimulate them to search for alternative service providers.

Ellis, Lee and Beatty (cited in Buttle, 1996) note that the examination of critical service incidents have focused on two mutually exclusive areas of study. Firstly, that service incidents were primarily examined from a negative perspective and that, as Shostack (1985) points out, service organisations need to have the personnel and systems in place to ensure that when such incidents occur, they are managed effectively in an attempt to recover the situation. Secondly, that service incidents are rarely investigated in the context of an on-going relationship between the buyer and seller, so this research will not only contribute to the practice of the phenomena, but equally to a very limited knowledge base. The review of academic literature has mainly concluded that positive service incidents produce customer loyalty and negative incidents result in customer switching behaviour. This in many ways seems too simplistic a notion to characterise the influence of the critical service incident on the buyer-seller relationship, and something that this research will address. The focus of this action research inquiry, particularly in research cycles one and two, was to explore a gap in the existing literature in terms of how a critical service incident influences the on-going "relationship" between the buyer and seller in a service context. This research sought to exploit the almost mutually exclusive nature in which existing literature considered the "critical service incident" and "the relationship" in an attempt to understand if there was some form of association between these two areas. With the exception of the work of Bejou and Plamer (1998); Edvardsson and Strandvik (2000) and Palmer, Beggs, and Keown-McMullan (2000) who investigated the service incident in a "relational" sense, this area of study has largely been ignored by the academic community. However, if the research question is relationship based, two key strands of inquiry needed to be developed. Firstly, the research had to consider how critical, service incidents were in terms of maintaining or developing the buyer-seller relationship, and whether as Flannagan (1954) suggests, there are resulting customer inferences, effects and consequences following an incident? The second strand of inquiry needed to evaluate from whose perspective is the incident critical; the buyer, the seller, or both? These questions will be examined in closer detail as this chapter progresses.

2.3.1 What is a buyer-seller relationship?

A generation has passed since the term relationship marketing was defined as *"attracting, maintaining, and enhancing customer relationships"* (Berry 1983, p.25). As previously mentioned, this emergent paradigm remains fragmented and dominated by isolated theoretical frameworks and findings. Indeed, Bejou (1997, p.730) notes that *"there is little agreement as to what relationship marketing is, how it is defined, how it is formed, and to what extent it is useful"*. Interestingly, the relationship marketing paradigm hasn't discussed or fully considered the questions of; what exactly constitutes a relationship and when do organisations know when a relationship has developed? Gronroos (2000, p.33) provides an insight into these questions by stating that one way of defining when a relationship has developed is to measure the level of repeat purchase, and or, to identify whether there is a mutual way of thinking between the buyer and seller. The work of Morgan and Hunt (1994, p.21) also provided a basis on which to consider relationships as they identified four discrete forms of relational exchange between an organisation and their partners. These included; "lateral partnerships" with competitors, non-profit organisations and government, "supplier partnerships" with service and goods suppliers, "internal partnerships" with employees, internal departments and business units, and "buyer partnerships" with intermediate or final ultimate customers. They posit that the buyer-seller partnership is characterised by long-term "interactive relational exchanges" that are particularly evident in service industries where buyers interact directly with service personal and physical resources. This relational exchange provides a platform for a long-term and ongoing interaction between customers and service firm employees that also act as the basis for which critical service incidents are instigated; Bitner et al (1990); Odekerken et al (2000); Edvardsson and Strandvik (2000). Bejou and Palmer (1998) also support this view, suggesting that the human interaction aspects of the service, combined with the general satisfaction of service provision, provides a good basis from which to evaluate the critical service incident. For the purposes of this research, the term buyer will be considered as also meaning customers, or members and will be used inter-changeably throughout the discussion. Likewise, the term seller is also considered to mean the service provider, and will again be used inter-changeably in discussion.

2.3.2 The buyer-seller relationship as a dynamic entity

As previously mentioned, the literature on relationship marketing is fragmented. However, numerous studies have not only identified variables that play an important role in helping define the constituents of a relationship, but consider marketing relationships as a complex, multi-dimensional and interactive social process; Webster (1992); Sheth (1994); Morgan and Hunt (1994); Ganesan (1994); Buttle (1996); Gengler and Popkowski Leszczyc (1997); Shostack (1998); Bejou and Palmer (1998); Zins (2001); Donaldson and O'Toole (2002).

This body of knowledge is best summed up by Johns (1999, p.964) who considered the relationship between the buyer and seller as a *"journey or odyssey"* of interactions and experiences.

Early contributors to relationship marketing theory drew on Social Exchange Theory to consider its appropriateness to the marketing arena. As a major theoretical perspective in sociology, Social Exchange Theory was promulgated by George Homans in his 1958 publication of 'Social Behaviour as Exchange'. Borgatta and Montgomery (2000, p.2670) summed up this seminal theory by saying that it centred on individuals engaging in *"interaction to meet their needs"* where the *"basic unit of analysis is the relationship between actors"*. Further development and refinement of this theory was undertaken over many years by a range of sociologists. In their *International Encyclopedia of the Social and Behavioral Sciences,* Smelser and Baltes (2001, p.5045) cite the work of Molm (1997) who summarises the key assumptions underpinning Social Exchange Theory. The foundations of exchange relations are therefore; firstly, that they are motivated by *the "desire to increase gain"*; secondly, that this gain should be *"mutually beneficial"*; thirdly, that the exchange partners engage in *"recurrent exchanges with specific partners over time"*; and lastly, that relational outcomes obey the *"law of diminishing returns"*.

The emerging relationship marketing paradigm essentially re-interpreted the underpinning concepts of social exchange. Moorman, Zaltman and Deshpande (1992, p.316) regarded a good relationship as being one where there was *"commitment"* between interested parties. They described this construct as *"an enduring desire to maintain a valued relationship"* as both parties would obtain mutual benefits, and would therefore, work hard to maintain this association.

The proposition that relationship commitment is a fundamental building block in all successful relationships has received wide ranging and continued support in literature, including Buttle (1996); Samuelsen and Sandvik (1997); Amine (1998); Garbarino and Johnson (1999); White and Scheider (2000). In essence, they argue that commitment demonstrates a degree of *"strength in attitude"*, supporting the work of Gronroos (2000) and Kolesar and Galbraith (2000) who believed that consistently executed service provision could build bonds of commitment between customer and service provider. The effect of this consistency was such that it produced a positive customer attitude toward the maintenance of the relationship.

Another school of thought, again drawn from the realm of Social Exchange Theory, posits that the primary construct determining a successful relationship is the degree of trust that exists between the exchange partners. The trust construct is regarded as a social device that enables consumers to cope with the risk, uncertainty and the complexity often involved in relationships, and that depending on an exchange partner can reduce the decision making processes involved in mutual exchange. Moorman, Deshpande and Zaltman (1993, p.82) define trust as;

"A willingness to rely on an exchange partner in whom one has confidence".

The importance of trust in a relationship has been presented by Ganesan (1994, p.3) who maintains that *"trust is the cornerstone to developing and maintaining long-term relationships"* between a customer and their service provider. He went on to say that individuals who find themselves in inequitable relationships often feel angry, resentful, dissatisfied and would, as a result, seek the services of alternative providers.

The development of trust in a relationship is, as Egan (2001, p.91) posits, the result of an attitudinal change in an interpersonal relationship, and is therefore, " *an important driver to both relationships and relationship enhancement*". The factors that provoke this change in attitude to the relationship could be many and leads on to the research question presented in this thesis, that of, identifying the influence that critical service incidents have on the development, maintenance and termination of the buyer-seller relationship. Coulson (1998, p.13) argues that "*trust is one of those concepts where the general idea seems straightforward, but turning it into a precise definition reveals subtle differences*". He goes on to identify three different types of trust; calculation-based, experienced-based and instinctive-based, all of which, have an impact on the development and maintenance of the buyer-seller relationship and how a buyer evaluates the service incident in the context of trust. For example, a negative incident may force the buyer to consider whether its severity would make them terminate the relationship as a consequence. They may subsequently make a conscious decision to continue with the relationship, having evaluated whether their trust has been compromised too much, in relation to the costs of leaving and in comparison to the benefits of staying. An evaluation of experiential trust may also form a part of this decision-making process. In this instance, the buyer has to consider the totality of the relationship, past, present and future, and based on this interactive experience, consider how the incident had influenced the degree of trust they had toward the company. Isolated and minor negative incidents during the relationship may mean that the buyer's experience of the service is satisfactory, whereas, repeated failures in provision may suggest that the relationship may not be as good as it could be due to the seller's poor performance. In this example, the move from calculation to experienced-based measures of trust represents a change in the buyer's attitude. This attitude change may, as we will see later, also be affected by the "context and time" variables, identified by Edvarsson and

Strandvik (2000), and perhaps the history of previous incidents as noted by Zeithaml and Bitner (1996) in their "encounter cascade". Bejou and Palmer (1998) found that when a buyer experienced a negative service incident, their level of trust would decrease. This echoes the previous work of Zeithaml and Bitner (1996, p.106) who concluded that critical service incidents can impact on the degree of trust in the relationship and may ultimately lead to termination;

"a combination of positive and negative interactions will leave the customer feeling unsure of the firm's quality, doubtful of its consistency in service delivery and vulnerable to the appeals of competitors".

Buyer trust can, therefore, be seen as an attitude that is subject to change. In its positive state, this trusting attitude has been developed through a positive experience, during an interactive process with the service provider, and has developed to the extent that the buyer and seller feel comfortable in the relationship. Consequently, they can not only rely on, but depend on each other with a degree of confidence; Spekman (1988); Doyle and Roth (1992); Bitner (1995); Odekerken-Schroder et al (2000); Lindgreen (2003). Conversely, empirical research conducted in the airline industry by Bejou and Palmer (1998) found that the influence of a negative critical service incident was largely dependent on the length of relationship between buyer and seller. They suggested that in the early stages of a relationship, the customer is more tolerant and forgiving of negative service incidents, believing the incident to be a one off occurrence. As the relationship progresses, the customer becomes more demanding in the consistency of service delivery, the honeymoon period is now over, and they become more intolerant of negative service incidents.

Subsequently, the relationship deteriorates and is characterised by the buyer being less trusting and committed to maintaining the relationship. Interestingly, the empirical work of Bejou and Palmer (1998) also found that as the relationship matures, the customer becomes more broad-minded about the difficulties in providing and managing service provision. Subsequently, the influence of negative service incidents on the buyer's likelihood to terminate the relationship as a result of these incidents is reduced. The reason for this increasingly liberal attitude toward negative service incidents could be attributed to the social bonds, such as experiential trust (Coulson, 1998), that have been developed by customers over time and *"make the relationship more resistant to intermittent failures"* Bejou and Palmer (1998, p.14).

A counter argument to this debate is provided by Seth and Parvatiyar (1995); Bagozzi (1995) and Bitner (1995), who contend that even in ailing relationships, trust can still be found. They propose that whilst the degree of trust between exchange partners may operate at significantly reduced levels, it may not be fragile enough to result in termination of the relationship. Indeed, buyers will remain committed to maintaining the relationship simply because switching to another provider can result in uncertainty, anxiety and confusion. In this instance, it can be difficult to distinguish between customer commitment and customer inertia. The desire to maintain the relationship is driven by their natural desire to forgo choice in order to simplify their life.

The significance of relationship constructs such as trust and commitment would, therefore, appear to be of equal importance to the development, enhancement and maintenance of buyer-seller relationships. The influence of the critical service incident is likely to produce inferences and effects that are directly related to the commitment and trust in the relationship. As central constructs of the relationship marketing paradigm, trust and commitment were considered as mutually exclusive variables, yet this is at odds with social exchange theory where both trust and commitment were considered the nucleus of a function that concentrated on relationships rather than transactions. Indeed, Donaldson and O'Toole (2002, p.50) proposed that;

"the key processes driving social exchange are trust and commitment. These processes moderate the impact of power and determine the perception or fairness in the exchange relationship".

As pivotal instruments in developing and maintaining successful relationships, Morgan and Hunt (1994) proposed their Commitment-Trust Theory. This theory is of particular importance to this thesis as it provided a useful framework to help explore, understand and gain insight into key buyer-seller relationship constructs, and how these variables may be influenced by both positive and negative service incidents. The arguments in support of this theory are particularly compelling, with many authors in the field of relationship marketing acknowledging the validity of this theoretical framework; Buttle (1996); Bejou (1997); Saren and Tzokas (1998); Gronhaug, Henjesand and Koveland (1999); Harker (1999); and Odekerken-Schroder et al (2000).

Essentially, Morgan and Hunt (1994) fused the constructs of relationship commitment and trust from social exchange theory with traditional marketing variables such as costs, benefits and communications. They posit that when both commitment and trust are present, the relationship between the buyer and seller produces outcomes that *"promote efficiency, productivity and effectiveness" (p.22).*

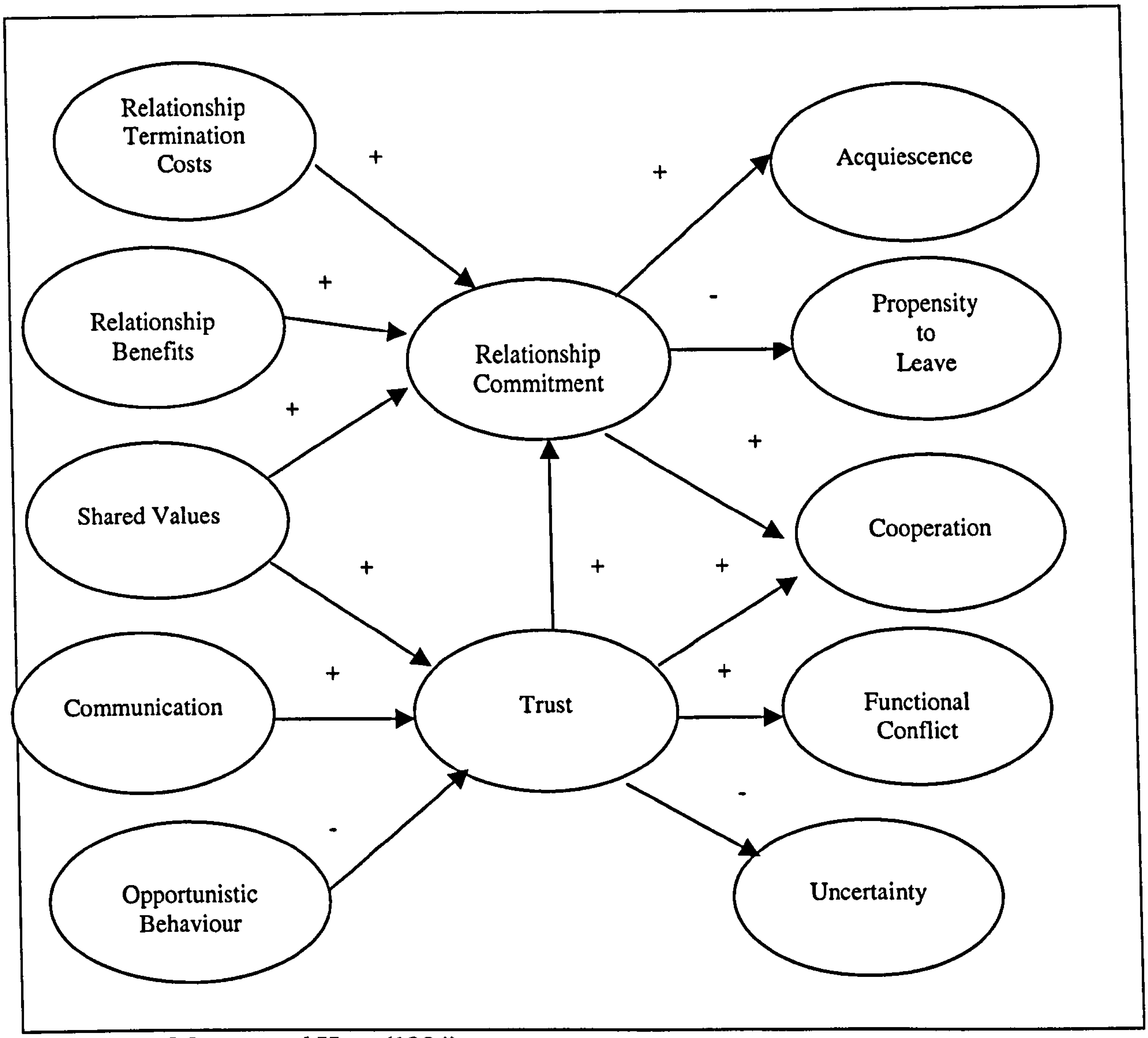
This stance is supported by Bejou and Palmer (1998) and Wilson (1995), the latter stating that commitment is critical when assessing the future loyalty in a relationship, whilst trust is regarded as a fundamental relationship building variable. Morgan and Hunt (1994, p.22) go on to argue that commitment and trust are essential for effective co-operation and the resultant success or failure of relational exchanges between partners, positing that commitment and trust act as "Key Mediating Variables" in often complex and intricate interpersonal interactions. In this dynamic and multi-dimensional relational environment they argue that the buyer and seller should;

"work hard at ensuring that relationship investments are preserved by co-operating with exchange partners...who resist short-term gains at the expense of long-term benefits... and consider high-risk actions as being sensible in the belief that exchange partners will not regard these actions as being opportunistic".

As such, the buyer and seller should equate the increasing benefits of a long-term relationship with the costs of maintaining it. In a trusting relationship, therefore, negative critical service incidents should be perceived by the buyer as part of the every day service provision and not as an opportunity for the seller to take advantage of them, and the trust they have built up over time.

As important variables that promote co-operative behaviours between exchange partners, trust and commitment are considered as key mediating variables between important factors relevant to relationships. Diagram 2 below demonstrates how these variables interact around the nucleic constructs of relationship trust and commitment. As such, five precursors and five outcomes in relational exchange are presented and discussed below.

Diagram 2: The Key Mediating Variable Model



Source: Morgan and Hunt (1994)

2.3.3 The precursors to relationship commitment and trust

Whilst this framework could be considered too simplistic to characterise the complexities and intricacies that exist in most relationships, it does at least attempt to present the buyer-seller relationship as a series of variables that management can use to inform their understanding of the relationship building and maintenance processes. It may also provide some insight into key operational factors that should be considered when managing and developing service relationships, particularly in the context of the critical service incident.

In many ways it presents a buyer's perspective of the *benefits and sacrifices* to be obtained in relational exchange. This view can equally be applied in a service context and the influence that critical service incidents have on the longevity of the relationship. For example, if a customer has had an argument with a member of staff, they may perceive this incident in a negative and memorable way, that is, a critical service incident. This may produce inferences about the member of staff, such as they don't care, or that they were rude. This may then lead onto buyer effects, such as, being "less trusting" towards that person or the organisation, and subsequently feel "less committed" to maintaining the relationship. In this instance, the buyer may consequently be forced to consider the benefits of competitive alternatives compared to the cost of staying in the existing relationship, before deciding whether or not to leave the service provider. The Commitment–Trust Theory is, therefore, a framework that considers the interactive nature of relational exchange between buyer and seller. In terms of critical service incidents, it forces the buyer to view positive and negative incidents within the context of the relationship, that is, did these service incidents produce inferences, effects and consequences, whereby they weigh up the benefits of staying in the relationship against the costs of terminating it. Morgan and Hunt (1994) have drawn on a wealth of previous literature to suggest that the relationship is construed as having some form of background or "precursor" to it, where resultant interaction between buyer and seller creates inferences, effects and consequences for the buyer.

These precursors in themselves, are likely to be influenced by the critical service incident and may well effect relationship commitment and trust. For example, the following relationship constructs are considered by the researcher to produce inferences about the quality and future of the relationship.

Relationship termination costs suggests that the larger the investment in the relationship, the more difficult it will be for a customer to move to another provider. Therefore, the level of costs associated with termination is linked to the level of customer interest in maintaining the relationship. The inference may, therefore, be that the buyer considers the termination of the relationship to be too expensive. **Relationship benefits** considers the importance of the service provider bestowing superior benefits to the customer which make competitive offers appear less attractive, and as a result, provide a basis not only for customer commitment in the long-term, but a sustainable competitive advantage for the provider. The inference here may well be that the buyer believes that they are getting a good deal. **Shared values** are the only precursor to influence both commitment and trust. It considers the extent to which exchange partners have similar beliefs, goals, moral behaviour and a sense of what is or is not important in the relationship. Indeed, shared values are considered to have a significant and positive influence on the development of relationship commitment and trust. Any mis-alignment of shared values between the buyer and seller may, therefore, create an environment in which critical service incidents are rife, which will ultimately lead the buyer to infer that the ideals or morals of the seller are not what they should be. **Communication** is regarded as the formal and informal sharing of meaningful, relevant, timely and reliable information and is considered as a variable that binds relationships together to build trusting partners. A customer who communicates a critical service incident to service staff, who in turn acknowledges this communication as part of a service recovery process may, therefore, lead the buyer to infer that this is a listening company prepared to do something for them. **Opportunistic behaviour,** suggests that a negative service incident could provide a basis for the buyer to infer that they have been taken advantage of and can no longer trust their partners.

The effect of this type of behaviour is not only lower levels of trust, but also a decrease in the level of customer commitment.

2.3.4 The outcomes of relationship commitment and trust

Morgan and Hunt (1994) suggest that outcomes transpire from relational exchange between buyer and seller. When evaluating these outcomes in relation to this thesis they would appear to be more aligned to the relationship effects that could transpire from a critical service incident. For example, **acquiescence** and the **propensity to leave** are two variables at opposite ends of the customer commitment scale. Both are regarded as the degree to which a customer accepts or adheres to the service provider's specific requests or policies. As such, a negative critical service incident could result in the effect of the buyer simply adhering to the wishes of the seller, or an increased likelihood that they would terminate the relationship and seek another service provider. Alternatively, consideration of the benefits and termination costs may result in the customer accepting the service incident and its outcome, and as a result, sacrifices may be made and the relationship endured with. **Co-operation** refers to situations where the buyer and seller work together to achieve a mutual goal. For example, ongoing conflicts about service provision, or specific service incidents, may exist and co-operation can continue as they will co-operate with each other because of the desire to make the relationship work. **Functional conflict** can ensue during negative service incident and may well produce the effect of animosity or bitterness between buyer and seller. Yet this conflict may not necessarily result in termination of the relationship, simply because the situation was being resolved in an environment whereby both parties believed that their relationship with each other, would ultimately benefit from this conflict.

When such disputes are resolved amicably, perhaps as a result of service recovery, they can be seen as functional incidents that provide a forum for discussion and produce the effect of a more trusting and committed relationship. **Uncertainty** in the relationship refers to the extent to which a partner has enough information to make a decision with confidence. Indeed, a customer who achieves equity in the decision-making process reduces the uncertainty in the outcomes of those decisions, which leads to a more trusting relationship. Again, in a negative service incident situation, uncertainty about maintaining the relationship with the service provider may be created. However, in a trusting relationship, appropriate service recovery may be offered, thus reducing the uncertainty in the relationship. Zeithaml and Bitner (1996) also support this view, proposing that uncertainty and doubt in a firms service quality will make customers vulnerable to competitors appeals.

The previous discussion of the buyer-seller relationship concludes that during, or after, a critical service incident, the buyer makes inferences about the seller in terms of; the costs of termination, the relationship benefits received, the fit in shared values, the level of communication and signs of opportunistic behaviour. However, these inferences will also lead to buyer effects in the form of; acquiescence to the service incident outcomes and co-operation, functional conflict, uncertainty and thinking about relationship termination.

Interestingly, Morgan and Hunt (1994) reconsidered their Commitment-Trust Theory in the light of their findings to account for power in the relationship. McDonald (1999, p.49) believes that there is a place for the legitimate use of power within a relationship, arguing that it may enhance the effectiveness of management actions by the coercion of difficult customers. Consideration of the "balance of power" in a relationship between buyer and seller is important in terms of how a critical service incident is perceived between exchange partners. Szmigin and Bourne (1998, p.547) illuminate this point by stating that;

> *"...when individuals find themselves in inequitable relationships, they feel distress. This may express itself in the form of anger or resentment if the party feels him/herself the loser".*

The likely outcome of continued inequity for buyers and the coercive power of the seller, may result in the relationship being terminated on behalf of the loser (the buyer) who will then seek a new relationship with a new provider who could equitably meet their needs and expectations. The importance of trust in the context of power in the relationship was signified in a study by Ganesan (1994, p.5) who found that when;

> *"individuals find themselves in inequitable relationships, they feel angry, resentful. Such feelings toward the other party due to dissatisfaction result in suspicion and mistrust... and view the vendor as untrustworthy and exploitive".*

However, even in this kind of relational environment trust was found to survive but at a reduced levels (Bitner, 1995). A customer may, therefore, feel committed to maintaining their relationship with the service provider, but this far from being a happy marriage. Or they may believe that the relationship is simply not worth persevering with, as the *"bonding elements"* in the relationship (Halinen and Tahtinen, 2002, p.166) have been broken. The only reasonable course of action, in these circumstances, is to terminate the relationship at all costs.

2.3.5 How critical are critical service incidents?

The review of literature and the findings from previous empirical research unanimously agrees that all service incidents whether positive or negative, are in themselves "critical", since customers "recalled" these incidents as something specific and out of the ordinary, compared to their normal service experience. The question of how critical a critical service incident is for a buyer has been considered by Botschen, Gunter, Bstieler, Lugwig, Woodside and Arch (1996) and more latterly by Edvardsson and Strandvik (2000, p.84) who argued that *"...to be able to understand the criticality of critical incidents, we have to consider both the situational dimension and the time dimension"*. They go on to explain that a critical service incident can only be evaluated by the buyer in terms of the context in which the incident has taken place. In addition, the time dimension considers the impact of past, present and future incidents on the buyer-seller relationship. Combining these two elements, we can conclude that the criticality of service incidents will depend on the constantly changing behavioural and attitudinal aspects of the relationship such as; length of the relationship, purchase frequency, purchase loyalty, relationship quality, satisfaction, commitment and complaining behaviour. Whilst the impact on the relationship may not be switching to another service provider, there are knock-on effects which the seller must consider. Edvarsson and Strandvik (2000, p.89) concluded that respondents within their sample reported the service incident and outcome "message" to four or five other people. They go on to point out the managerial implications of the effect that word of mouth communication, between existing customers and existing to potential customers, by stating;

"It may influence the initiation of new relationships in situations of positive word of mouth communication. In situations of negative word of mouth communications, the outcome may be that customers leave the service provider and turn to someone else. Thus the notion of critical incidents should also include the effect on other customer's relationships".

The impact on the patronage of a health and fitness club is, arguably, going to be greater in a club membership environment, rather than a transitory service provider such as a hotel or restaurant. This is because dissatisfied members have a greater and longer opportunity to communicate negative service incidents in an annual membership contract as problems can gestate and be communicated between members.

Mack, Mueller, Crotts and Broderick (2000) do not, however, support this criticality and the word of mouth communication standpoint. Their empirical research on consumer perception of service failures in the restaurant industry found that many critical service incidents were, in fact, not that critical to the maintenance and development of buyer – seller relationships. They concluded that customers expect a degree of service variance and as a result had prepared themselves for failure in a way that down played the criticality of the incident. Smith, Bolton and Wagner (1999, p.360) take a different approach to this debate, stating that the influence on the relationship of a critical service incident will largely depend on the magnitude and consequences of that failure. They state that;

"We expect that customers will seek balance and, in failure/recovery encounters, will prefer to receive in exchange for the loss suffered, resources in amounts commensurate with the magnitude of the loss (failure) they experienced".

They go on to conclude that customer satisfaction and a desire to maintain the relationship will depend largely on the recovery strategies re-dressing the balance of equity in the relationship.

Flannagan (1954, p.327) himself stated that the issue of criticality of the incident should be considered in the context of a clear and definable situation where *"its consequences are sufficiently definite to leave little doubt concerning its effects"*. With reference to the purpose of this thesis, the essence of Flannagan's (1954) work has been preserved. The research used the critical incident technique as a method to, firstly, identify the inferences, effects and consequences that service incidents had on the buyer-seller relationship. Secondly, to encapsulate information that would influence managers to change and or adopt new working practices in the management of critical service incidents.

2.3.6 Contrasting buyer and seller perspectives of the critical service incident

A significant amount of literature has been devoted to the evaluation of critical (negative) service incidents from a customer perspective (the buyer), more recently; Zeithaml and Bitner (1996); Lockshin and McDougall (1998); Odekerken et al (2000); Mack et al (2000); Parker and Mathews (2001). Interestingly, the customer focused research concludes that, firstly, the buyer expects service failure to occur and secondly, that when a service failure does occur, the incident is perceived in terms of the service they received against their expectation of service quality. These two perspectives may lead one to conclude that critical service incidents, which are negative in nature, may not in fact be that "critical" to the maintenance, development and longevity of the relationship.

In contrast, empirical research has been conducted on eliciting employee (the seller) reactions to customer responses to negative critical service incidents, including Bitner, Booms and Tetreault (1990); Gremler, Bitner and Evans (1994); Edvardsson (1998). This body of research investigated manager and front-line employee reaction to customer comments of service incidents and primarily focused on the interaction processes between buyer and seller. This work is best encapsulated by the work of Shostack (1985) whose paper on *"Planning the Service Encounter"* takes a positivistic approach to the management of service interactions, proposing that superior service is an output of rational and rigorous managerial planning and process implementation. As a result, the service incident is simply a function of the overall service design, and as such, management and staff should be not be caught off guard during these types of service interactions. She also adds that it is an attention to detail that provides the service organisation with an opportunity to differentiate its service from the competition, thus creating higher levels of customer satisfaction and loyalty. Johns (1999, p.962) theorising on the differences in the perspectives of buyer and seller, draws a word of caution in the blueprinting approach of Shostack (1985). He contends that the *"brain is given more attention than the heart in service quality management"* and that organisations which overtly plan the service incident contingency may indeed lack a human touch in what is essentially a socially interactive process.

Chandon, Leo, Phillipe (1996) also conducted research that investigated buyer and seller perceptions of the service incident, arguing that conducting research into both perspectives provides a more comprehensive understanding of the interactive nature of the relationship and the critical service incident. They contend that this also helps identify specific gaps in customer and staff perceptions of the service, after which adjustments in service provision could be considered. The key findings of their research suggested that staff competence, listening skills and dedication to the job, contribute more to the evaluation of the service incident than the effectiveness of the overall service and specific service recovery initiatives. Farrell, Souchon and Durden (2001, p.578) also support research into buyer and seller perspectives arguing that *"the subsequent comprehensiveness of this conceptualisation gives distinct advantages...by providing a more detailed assessment of the factors that influence service quality"*. They go on to state, that the findings from their empirical research conclude that it is the ability of staff, to respond effectively to customer complaints, that results in increased levels of satisfaction following a successful service recovery. Consequently, critical service incidents should be regarded by management in an emphatic manner, as a means of identifying best practice, changing customer requirements, common service failure points, positive and negative aspects in customer-contact services. In conclusion, the dyadic perspective between service provider and customer would seem to indicate that service management are concerned with delivering the core service and planning strategies to effectively manage service incident situations. Whereas the customer view, may at worst be overlooked, or at best, processed through a chain of management systems and hierarchies.

2.4.1 The influence of critical service incidents on buyer loyalty

As mentioned in the overview to this chapter, one area of discussion that arose within the peer consultancy process was that of investigating existing member views of how critical service incidents had influenced their relationship with the WHC. As current members of the club, these buyers were subsequently considered to be loyal, therefore, it was important to gauge their views about the nature of the service incidents and how these had or had not influenced their relationship with the club.

The subsequent review of literature presented the concept of customer (buyer) loyalty as a complex and highly fragmented topic. Indeed, there appeared to be very little in the way of common consensus about what customer loyalty was, never mind the influence that a critical service incident would have on this phenomena. This section of the chapter will provide a critical review of the relevant concepts and conclude that the theoretical foundations of the buyer loyalty paradigm are built on the key constructs of buyer attitude and behaviour. These variables in turn, are dependent on three common strands, that is; buyer satisfaction, dis-confirmation of service expectations and buyer switching costs. These concepts and how they inter-relate to the critical service incident will now be examined in more detail.

2.4.2 The dimensions of buyer loyalty

The nature of buyer loyalty has been extensively theorised and researched in marketing literature, producing a range of diverse and sometimes conflicting findings. In its most profound form, Rowley and Dawes (2000, p.538) take a post-modern view of loyalty, positing that this term is fragmented at best and obsolete in the extreme. They go on to conclude that the buyer may be more calculative or transactional, rather than blindly loyal, in their relationship, stating that;

"we live in a world in which people are acculturalised to accept continuing change in their work and social lives. The sense of constancy that is associated with the concept of loyalty might be in direct contradiction to the post modern world.

The review of literature into loyalty presented three significant bodies of debate. This deliberation presents the phenomenon as either consisting of variable(s) that are;

attitudinal in nature, supported by Hallowell (1996); Butcher, Sparks and O'Callaghan (2001); Gronroos (2000) or *behavioural in nature* supported by Sheth and Parvatiyer (1995); Bitner (1995); Bagozzi (1995); Yoon and Kim (2000). A third school of thought suggests that loyalty should be considered as a combination of *attitude and behaviour* as proposed by Dick and Basu (1994); O'Malley (1998); de Ruyter, Wetzels and Bloemer (1998); Rowley and Dawes (2000); Lee, Lee and Feick (2001). The problems associated with defining buyer loyalty in such a fiercely debated battleground, would therefore, appear to be complex. However, for the purpose of this thesis the researcher agrees with the combination of attitude and behaviour paradigm. The basis for this argument is that having a positive *"psychological attachment"* (Butcher et al, 2001) or *"high relative attitude"* (Dick and Basu, 1994) toward a service provider may actually not require customers to purchase that service. For example, a customer who has aspirations to join a certain health and fitness club may demonstrate a "preference attitude" perhaps developed over time through positive word of mouth, marketing communications or even trial purchase. However, this person may not be able to join a club due to situational or social factors such as inadequate finances, being geographically restricted or not having anyone to go with them to the health and fitness club. In this case, positive attitudes are not backed up by behavioural actions in terms of purchase. On the other hand, purchase and repeat purchase with no positive attitudes toward the service provider is likely to represent "spurious loyalty" (O' Malley, 1998). Furthermore, Sheth and Parvatiyer (1995); Bagozzi (1995); Gengler and Popkowski Leszczyc (1997) and Lee and Cunningham (2001) argue for the behavioural perspective of buyer loyalty, positing that buyers engage in relationships with service providers in order to reduce choice, stress and inconvenience. This proposition has been clarified by Bitner (1995) who posits that a long-term relationship with a service provider can reduce buyer stress as the relationship becomes predictable and comfortable. She goes on to argue that human nature is such that people do not like change and that inertia is often driven by the buyer's desire to *"simplify one's life"*.

Yet this behavioural standpoint toward customer loyalty is rather spurious, indeed, choice reduction is more likely to be a by-product of the relationship as customers see the relationship as unimportant to them or a means to fulfilment of a goal or transactional need. An empirical study in the airline industry by Zins (2001, p.271) found that loyalty measurements based solely on customer purchase (behaviour) does not explain underlying buying motives, nor future buying intentions, and that only by understanding the attitudinal perspective can so called "loyal" behaviour be understood. He goes onto say that;

"A positive attachment (attitude) to behaviour acts as a condition for distinguishing between true and spurious loyalty".

One of the central questions that this thesis sought to address was the influence that critical service incidents had on the buyer-seller relationship. Previous discussion in 2.3.5 has concluded that critical service incidents can have an attitudinal and behavioural influence on the buyer and their relationship with the seller. It would, therefore, seem logical to extend this discussion into the loyalty paradigm, and suggest that critical service incidents can influence the relationship to the extent that they affect buyer attitudes and behaviours, and as a consequence contribute to buyers being more or less loyal to that relationship.

2.4.3 Buyer loyalty is relative

The conflicting perspectives in loyalty literature have given rise to the consideration of the difficulties in managing different types of customers. Dick and Basu (1994, p.99) point out that *"the task of managing loyalty has emerged as a focal managerial challenge"*. They go on to state that the behavioural approach to loyalty is found wanting when it comes to explaining how loyalty is developed or modified by events and interactions. The answer to this particular question has important implications for the development of this thesis in terms of whether a service incident can be critical enough to result in an attitudinal, and or, behavioural change in the buyer-seller relationship. Dick and Basu (1994, p.101) go on to develop the attitudinal school of thought suggesting that a buyer's attitude toward a seller needs to be considered in the context of other comparable service provider alternatives. In this way, the buyer's attitude is considered *"relative"* to other competitive choices. As such, they state that *"relative attitude is likely to provide a stronger indication of repeat patronage than the attitude toward...*(a service provider) *determined in isolation"*. Consequently, they propose a two dimensional attitudinal scale of relative attitude consisting of 'Attitude Strength' and 'Attitudinal Differentiation'. For example, at one extreme, if a buyer's attitude toward a service provider is strong and they can differentiate this attitude between other providers, they are considered to have the *"highest relative attitude"*. Conversely, at the other extreme, if the buyer's strength of attitude toward a service provider is weak and there are no discriminatory attitudes between other competing providers, they are said to have the *"lowest relative attitude"*. Included within this relative attitude continuum is *"low relative attitude"* where the attitude to a service provider is strong, but that the consumer cannot differentiate between competing providers.

Equally, where an attitude strength is weak (but still positive) toward a provider, but competing providers do not translate a point of differentiation in attitude, this is termed *"high relative attitude"*.

This developmental work has considerable consequences for the conceptualisation of buyer loyalty. Whilst the link between attitude and loyalty has already been presented above, by extending this concept to comparisons between different sellers, Dick and Basu (1994) believe that discriminating *strengths of relative attitude* toward a service provider are likely to result in varying strengths of buyer loyalty. Again, this has important ramifications for management who must now consider that their customer base could be made up of a range of customer segments all having varying degrees of loyalty. Yoon and Kim (2000) support this development and propose that different customer strategies can be employed to deal with different groups of customer loyalty.

Diagram 3: Relative Attitude-Behaviour Relationship

Repeat Patronage

		High	Low
Relative Attitude	High	Loyalty	Latent Loyalty
	Low	Spurious Loyalty	No Loyalty

Source: Dick and Basu (1994).

In Diagram 3 above, the authors have presented a view of buyer loyalty based on the premise of *relative attitude* and *repeat purchase* behaviour. They argue that loyalty can take various forms and that these differences are dependent on the buyer's conscious decision-making processes.

This cognitive process involves them taking into consideration the costs and benefits of maintaining the relationship with their existing service provider, whilst assessing the relative costs and benefits of entering a relationship with a potential service provider. The output of this evaluation process results in the portfolio of available service providers being compared and contrasted against each other in a way that subsequently provides the buyer with a relative attitude toward each seller. Dick and Basu (1994, p.101-102) posit that No Loyalty occurs where *"a low relative attitude is combined with low repeat purchase"*, whilst Spurious Loyalty occurs where there is *"a low relative attitude accompanied by high repeat patronage...thus characterised by non-attitudinal influences on behaviour"*. Latent loyalty occurs where there is *"a high relative attitude, with low repeat patronage"* and Loyalty is where there is *"a favourable correspondence between relative attitude and repeat patronage"*. A health and fitness club, like most member based organisations, will be made up of a range of different customers which traditionally may be segmented by a range of socio-demographic variables such as gender, age, class, income and occupation. However, this method of analysing a customer base does not take into account any psychological traits, such as the attitudinal measure identified above. As such, this framework provides a useful basis to investigate the influence that critical service incidents have on the relative attitudes and purchasing behaviour of health club members, and can also provide management with an idea about how to manage different types of members with different types of loyalty profiles.

Empirical evidence of the loyalty of health club members is to be found in the work of Hillsdon (2001), who on behalf of the Fitness Industry Association, surveyed over 67,000 adult health club members, from 16 different service providers across the UK. The findings suggest that relational commitment and high relative attitude are sign posted by frequency of visits, payment of an annual membership fee, family and corporate memberships, thus making families and professionals the most loyal members of a health club. Conversely, the study reported that monthly payers, particularly those aged between 16-24 years, were a more mobile labour force that were price sensitive. Whilst they were frequent visitors to their health club, they engaged in repeated comparisons of the competitive offers of alternative service providers, that is indicative of a low relative attitude and spurious loyalty. In conclusion, Hillsdon (2001) found that those "Loyal" health club members had a year on year retention rate of 78% compared to those "Spurious" members who had a comparatively low retention rate of just 48%.

Since its dissemination, the relative attitude-behaviour framework has received further validation from theoretical and empirical testing. For example, O'Malley (1998) reviewed much literature in the area of buyer loyalty to conclude that the relative-attitude and repeat purchase paradigm developed by Dick and Basu (1994, p.50) *"provide accurate measures of loyalty"*. Also, in a study of 600 package holiday customers from three service providers, Andreassen and Lindestad (1998, p.11) found that spurious loyalty may in fact be the outcome of high switching costs and a lack of suitable alternatives in service provision. In addition, Yoon and Kim (2000) surveyed over 1,200 car owners to ascertain the types of loyalty customers had to particular car makers. Their results again supported the view that buyer loyalty could indeed be segmented into loyal, latent loyal, spurious loyals and no loyals by identifying attitudinal and behavioural characteristics. In addition, Zins (2001) presents empirical evidence from 2,200 business class travellers in the European airline industry, stating that the typologies of Dick and Basu (1994) were "partially" detected but that the relative attitude concept could not be confirmed. Closer examination of the target sample for this research may lead one to consider that it was flawed and, therefore, provided misleading results. This is because business class travellers are more than likely to have had their travel arrangements made by their company, and that the company may have a contract with a certain airline from which they receive certain benefits (discounts for volume, promotional offers) during the course of the relationship. As a result, the business traveller has no choice in airline provider therefore cognitive processes to differentiate between providers may simply be a waste of their time resulting in no relative attitude.

2.5.1 The determinants of buyer loyalty

The previous section identified the conflicting views of what exactly constituted buyer loyalty and suggested that it was a phenomenon that was considered as attitudinally based, behaviourally based or a combination of both these variables. In consideration of these perspectives it is also necessary to consider the factors that determine (relative) attitude and behaviour and develop the debate as to what influence critical service incidents have on the these variables. A review of literature identified a battleground for fundamental disagreement of what determined buyer attitude, however, the recurring themes presented in literature suggest that the determinants of loyalty are; buyer satisfaction, disconfirmation of buyer service expectations, effective service recovery and the extent and nature of switching costs, each of which shall now be evaluated in relation to the critical service incident.

2.5.2 Buyer satisfaction

There is a significant body of evidence devoted to this subject whose appraisal of the link between buyer satisfaction and loyalty reveal pedagogic two groups. For example, Anderson and Sullivan (1993); Hallowell (1996); Gengler and Popkowski Leszczyc

(1997); Andreassen and Lindestad (1998); O'Malley (1998); Gronroos (2000); Zins (2001); White and Schneider (2000); Lee, Lee and Feick (2001); and Butcher et al (2001) all suggest that buyer satisfaction can be used in the prediction of buyer behaviour, and therefore, satisfaction can act as an indicator to future buyer loyalty. So a customer's encouraging evaluative judgements of positive service incidents will lead to the buyer effects of satisfaction, higher levels of trust and commitment toward the service provider and consequently lead to a higher relative attitude toward the seller. This, in turn, will lead to continued patronage, an enhanced relationship and a greater degree of loyalty. In contrast, negative service incidents will produce the negative effects of buyer dissatisfaction, being less trusting and committed to maintaining the relationship, and as a consequence, lead to a lower level relative attitude. The work of Hoffman and Kelley (2000) and Mattila (2001) provide an exception to this rule, by stating that negative service incident situations can be recovered successfully by the seller as long as justice, equity, rewards and compensation are involved. In these instances, a negative service incident followed by a successful recovery will have a positive influence on post-recovery satisfaction and loyalty.

However, there is a contrary view to the idea that buyer satisfaction equates to buyer loyalty. In a survey of 333 customers of health care and car repair providers, Mittal and Lassar (1998, p.183) found that more than half of the respondents in the survey were satisfied with the service, but expressed a desire to switch to alternative service providers, thus supporting the work of Rowley and Dawes (2000). They go on to say that "*a high degree of satisfaction did not translate into loyalty. Customers who report a high satisfaction rating still possess a pre-disposition to switch service suppliers*". Whilst they readily acknowledge that loyalty isn't divorced from satisfaction, in service industries that require differing levels of functional and technical service quality, a minimum level of satisfaction must be achieved and that buyer loyalty should be considered beyond the results of customer satisfaction surveys.

The link between buyer satisfaction and loyalty has been encapsulated by Christopher, Payne and Ballantyne (1991) in their "Relationship Marketing Ladder of Customer Loyalty". They suggest that the primary objective of sellers should be to build a relationship with a newly acquired *"customer"* to such an extent that they become *"clients"* who are regular purchasers. Subsequently, they develop into strong *"supporters"* before eventually reaching a higher order relationship plain by becoming *"advocates"* of a company, spreading positive word of mouth communication to friends, family and colleagues. Although they do not specifically consider the influence of critical service incidents, Christopher et al (1991, p.23) go on to point out that quality service provision and resultant satisfaction, plays a crucial role in moving buyer up the loyalty ladder, suggesting that;

> *"To achieve the transition from customer to advocate, this augmentation should aim at taking them beyond mere 'customer satisfaction' to 'customer delight' by delivering products or services that exceed expectations".*

This theoretical conceptualisation of the central role that service and satisfaction plays in the development of the buyer-seller relationship and loyalty, has received some empirical validation from White and Schneider (2000) and Yoon and Kim (2000). White and Schneider (2000, p.249) found some support for the loyalty ladder by identifying a range of behaviours that demonstrate different types of buyer commitment, such as; the consideration of an alternative organisation before purchase, purchasing exclusively from an organisation, and talking about the organisation to friends and family. In a sample of over 2,000 respondents, from a range of service industries (financial, property, hair styling and automotive repair), they were able to distinguish different types of loyalty based on the commitment criteria above. Subsequently, they placed buyers on different levels of the loyalty ladder in terms of *"customers, client/supporter and advocates"*. However, their research was unable to significantly demarcate the differences between a client and supporter in terms of commitment behaviour.

This framework however, does provide a basis on which to consider the influence of critical service incidents on the buyer-seller relationship. Christopher, Payne and Ballantyne (1991, p. 22) have portayed this model as a one directional linear process whereby *"customer service has a pivotal role to play in achieving this progression up the ladder of customer loyalty"*. Yet the interactive and dynamic nature of relationships suggests movement should occur up and down the various categories of loyalty, depending on the evaluative judgements of the buyer about the service as experienced through a single or series of critical service incidents. Positive service incidents may well produce buyer inferences and subsequent effects that relate to commitment to the relationship and satisfaction respectively. The consequence of this evaluative process may well result in an enhanced relationship, a higher relative attitude, and therefore, progression up the loyalty ladder. Negative service incidents, on the other hand, may well produce contrary inferences and effects, such as, distrust and dissatisfaction, and therefore, produce the opposite consequences of a weak relative attitude or even termination of the relationship.

This perspective has received support from White and Schneider (2000, p.251) who state that the loyalty ladder conjecture is considered;

"in terms of orderly progression up the commitment ladder" and that *"what happens if the desired level of service on a dimension is achieved and then lost?...possible consequences of this dissatisfaction include dropping to a lower rung on the ladder or terminating the relationship completely".*

As Rowley and Dawes (2000, p.540) point out what happens when a buyer is satisfied with the overall relationship, but dissatisfied with a specific service incident? Yoon and Kim (2000, p.129) provide some insight into this question, arguing that buyer satisfaction should be considered as a *"cumulative"* variable, that is, the outcome of the relationship history between exchange partners. Within this cumulative level of satisfaction, they go on to point out that the results of their empirical research showed that *"transactional satisfaction"* exists. This type of satisfaction considers singular experiences such as a negative service incident that may have resulted in a bad buyer experience, and suggests that these incidents would not have a significant impact on the overall level of satisfaction. Consequently, buyers may differentiate between different aspects of the service provision and specific service incidents and have different performance criteria for satisfaction, as a result. This question has important implications for this research as it considers the impact of critical service incidents "on the relationship" between buyer and seller in terms of whether it becomes more or less robust. As such, it attempted to explore issues such as loyalty and subsequent movement up and down the loyalty ladder or indeed whether the service incident was critical enough to induce the buyer to terminate the existing relationship. From a managerial perspective, key questions arise from considering this framework. For example, should managers focus time and resources on maintaining the business of loyal buyers (supporters and advocates)? Or, target those less loyal (customers and clients) in the hope of developing satisfaction, a higher relative attitude and repeat purchase in the hope of moving them up the loyalty ladder, thus producing increased retention rates and subsequent revenue?

2.5.3 Dis-confirmation of buyer service expectations

The previous discussion presents strong evidence to support the hypothesis that buyer satisfaction can be a strong predictor of loyalty. However, one of the antecedents to buyer satisfaction is their evaluation and perception of service *"expectations"* against service *"performance"*. The outcome of these evaluative buyer judgements will, in part, determine whether they remain in the relationship or defect to another provider.

The Disconfirmation-of-Expectation paradigm conceived by Oliver (1980) (cited by Anderson and Sullivan 1993) argues that buyer loyalty is a function of satisfaction, which in turn is determined by buyer comparisons between service expectations and service experiences. This theory proposes that buyer's make evaluative judgements of service quality based on a previously defined set of criteria concerning the service they expected to receive. Following consumption of the service, the buyer perceives a certain level of service quality from which perceived quality may increase or decrease in line with their previous expectations. From this, the evaluation of perceived quality then leads the customer make judgements about whether their expectations have been confirmed or dis-confirmed. The effect of this cognitive buyer process will mean that their satisfaction is largely determined by the degree to which their service expectations have been dis-confirmed. In those instances where dis-confirmation is found, buyer satisfaction increases or decreases from the level of expectation found prior to the service experience. In summary, evaluations of buyer satisfaction are a derivative of any expectations plus any perceived dis-confirmation of expectations following service consumption. Andreassen and Lindestad (1998, p.10) point out that buyer satisfaction is essentially a measure of their experience and that satisfaction is, therefore, dependent on the gap between expected and perceived performance, stating that;

"Any discrepancy leading to disconfirmation, that is, positive disconfirmation increases or maintains satisfaction and negative disconfirmation creates dissatisfaction".

Interestingly, empirical research by Anderson and Sullivan (1993) and Mittal and Lassar (1998) found that whilst negative disconfirmation often resulted in lower levels of buyer satisfaction, thus encouraging them to switch service providers, positive disconfirmation didn't necessarily lead to a higher level of loyalty. They posit that this is because buyers expected a seller not only to meet minimum standards of service, but to exceed them where possible.

The role of the critical service incident in the expectation-disconfirmation process remains unclear. Whilst Oliver (1980) did not conceptualise their importance to the perception of service quality and buyer satisfaction, some researchers found that buyers could differentiate and evaluate core service dimensions and quality with specific service incidents, as found in the work of Keavney (1995); Johns (1999); and Odekerken-Schroder et al (2000); de Ruyter et al (1998). These authors suggest that by having the ability to differentiate service incidents from every day service provision, buyers may not necessarily be influenced by isolated service incidents, and therefore, these occurrences may not contribute to their assessments of service expectations.

A contradictory view is, however, presented by Bitner et al (1990); Chandon, Leo, Phillippe (1996); Gengler and Popkowski Leszczyc (1997); Shostack (1998); Yoon and Kim (2000) who state that the buyer's dis-confirmation of service expectations are based on specific service incidents. They argue that these incidents provide the buyer with a snapshot of service quality and that this then contributes to the overall assessment of their expectations and, therefore, satisfaction.

2.5.4 Buyer switching costs

Interestingly scholars acknowledge that buyer loyalty may simply be determined by the level and type of costs involved in terminating the relationship with a seller and switching to another service provider. As previously noted by Morgan and Hunt (1994), these relationship termination costs suggest that the larger the investment in the relationship, the more difficult it will be for a buyer to move to another seller. As a result, the buyer becomes more committed, though not necessarily trusting toward the relationship. As a knock on effect, they may also accept a stream of negative service incidents, and or, comply with a company's conflicting working practices and policies simply because the costs of terminating the relationship are too high. Hillsdon's (2001, p.41) empirical work in the health and fitness industry confirms this, pointing out that high monetary termination costs in the form of lost membership joining fees or annual pre-payment schemes as well as non-monetary termination costs like cancelling a direct debit can raise exit barriers significantly. He goes on to say that;

> *"The industry has always defended itself from early dropouts...and this appears to be sufficient to diminish the chance of members leaving early".*

As previously noted, Dick and Basu (1994) have identified this type of loyalty as "spurious" whilst Zins (2001, p.10) states that this type of loyalty *"is driven more by calculative commitment"*. de Ruyter et al (1998, p.439) also argue that this type of loyalty is driven by the exit costs scenario previously discussed, positing that switching costs are higher in service industries rather than for goods, because the costs involved in changing from one service provider are tangible in terms of financial costs and intangible in terms of the time taken to find a new provider and the uncertainty of developing a new relationship. The notion of switching costs comprising of monetary and non-monetary costs is supported by Lee and Cunningham (2001) and Bitner (1995). They propose that this spurious loyalty is behaviourally driven, that is repeat purchase, to the point of inertia, where the attitudinal disposition of the buyer is unfavourable and driven by risk, uncertainty and stress. This low relative attitude, but high repeat patronage, (Dick and Basu, 1994) scenario of loyalty has important implications for management and their consideration of how they manage negative critical service incidents reported by this type of buyer. By definition, these buyers are locked into the relationship and may subsequently have to put up with a range and number of negative service incidents. These incidents will not consequently stimulate buyers to terminate the relationship, but, lead to a significant lowering of their relative attitude as they maintain a relationship based on fulfilling a need to stay at a health club.

2.6.1 Evaluating the reasons why buyers switch service providers

In comparison to the loyalty paradigm, the depth of literature on buyer switching behaviour is rather shallow.

The reasons for a lack of empirical development into buyer switching behaviour may lie, firstly, in the difficulties associated with the ability for an organisation or researcher to gain access to the opinions of ex-customers. Or secondly, organisations deep-seated desire to focus on issues of customer acquisition rather than retention. In many ways, the factors that create and enhance buyer loyalty, namely; trust, commitment, relationship benefits, satisfaction, service expectations against performance, successful service recovery and switching costs are the same factors that, when negatively perceived by a buyer, may also induce them to seek out an alternative service provider. With this in mind, it is not the intention to re-state these factors in a contrary way, but to move on to specific discussion of buyer switching behaviour and the role that critical service incidents play in instigating inferences and effects that lead to this type of relationship consequence.

Morgan and Hunt (1994, p.33) provide an interesting vignette as an overarching theme to the buyer-seller relationship and the causes that lead to termination of the relationship. They argue that;

"Just as medical science should understand both sickness and health, marketing science should understand both functional and dysfunctional relationships".

The most extensive study into buyer switching behaviour in the health and fitness market was conducted by Hillsdon (2001) who, on behalf of the Fitness Industry Association, used a sample of 70,000 health club members in 64 clubs from 16 different service providers. In an attempt to understand the issues associated with high and low buyer retention rates he suggested that the age of the health club member was an important determinant of switching behaviour.

For example, a young health club member was highly mobile in the workforce with no family commitments, and this contributed to them being the least loyal members of health clubs. In contrast, middle and old aged members had established work and family commitments, and as such, were the least likely members to switch health clubs.

Another research study that is extensively cited in literature as a seminal paper in the area of buyer switching behaviour, was undertaken by Keaveney (1995). She conducted an exploratory study with 500 service customers across 45 different services including beauty salons, mechanics, doctors, restaurants and banks, to name but a few. The premise of the study was to explore the determinants of the buyer's decision to switch service providers and to identify, specifically, the role that critical service incidents or combination of incidents had in the defection process. In addition, she also considered issues such as service quality and relationship quality as an overall gauge of buyer service satisfaction and loyalty. Using the Critical Incident Technique promulgated by Flanagan (1954), the findings of the research identified a range of incidents and behaviours associated with switching which were classified into eight key variables; pricing, inconvenience, core service failure, failed service encounter, response to failed service encounter, competition, ethical problems, and involuntary switching. In some cases, buyer defection could be the result of a single (simple switching) or indeed multiple range of events (complex switching) and behaviours. *"Simple Switching"* behaviour accounted for 45% of all switching incidents that were attributed across all categories (with the exception of Responses to Core Service Failure) with Core Service Failure (24.6%) and Service Encounters (19.9%) being the primary reasons cited for defection. The remaining 55% of incidents were attributed to *"Complex Switching"* comprising of two or more different categories with Core Service Failure (21.8%), Service Encounters (21.8%) and Response to Service Failures (15%) being the most prominent composite reasons for leaving a service provider. These findings correspond closely to the research of Mack et al (2000) and Colgate and Hedge (2001) who found that around 25% of buyers switched service providers following a negative service incident. Palmer, Beggs and Keown-McMullan (2000, p.552) also support this view, but developed the scenario by investigating the demographic attributes of their respondents in relation to the perceived equity of the recovery strategy adopted by the seller. They subsequently found that younger buyers were less prone to switch service providers following a critical service incident and subsequent recovery, whilst older respondents were more prone to switch due to higher service expectations in relation to the perceived inequity of the service recovery provided, or not. Empirical research by Bitner et al (1990); Odekerken et al (2000) and Edvardsson and Strandvik (2000) developed the theme of the contextual setting of the service incident. Their work found that buyers primarily attributed their switching decision to the poor "process interactions" with staff during the service incident, citing poor employee behaviour and or attitudes during the service interaction process.

Keaveney (1995, p.79) went on to state that the management implications of her findings were that "*six of the eight service switching factors are controllable from a service firms point of view*" with inconvenience and involuntary switching being the exceptions. As her empirical research found, service incident failures were the second largest category for customer reasons to switch service provider, behind core service failure, and should be considered as a significant focus for management when considering service recovery policy. A criticism of this work lies in its limited focus on the nature of the service incident. From a relationship marketing management perspective, Keaveney's (1995) research findings could usefully have been extended to interrogate the respondent data-set, in order to understand if certain "types" of buyers had a higher or lower propensity to switch service, as a result of a simple service incident. Or indeed, whether certain types of buyers were more prone to complex switching behaviour. The identification of different buyer loyalty typologies (Dick and Basu 1994) and their reactions to critical service incidents could then enable customer service strategies to be adapted for different groups. For example, it might be possible to identify those buyers who demonstrated a degree of intolerance to certain types of negative service incidents that trigger simple switching, and make a change in the service approach in order to maintain and build the relationship rather than allow them to deteriorate.

2.6.2 The buyer switching process

Whilst the literature on buyer switching behaviour is limited, there is even less consideration given to examining the "formal process" that they go through in order to terminate a relationship with the seller. The switching process is in itself a complex and *"dynamic process that evolves over time"* (Colgate and Hedge, 2001, p. 201) and can result in a gradual decay in relationship quality following singular or multiple service incidents. Halinen and Tahtinen (2002, p.164) illuminate this point when they state that *"...there is no comprehensive description or categorisation of the factors that influence relationship ending"* despite there being some focus given to the factors that lead to the termination of the relationship as in the work of Keaveney (1995). The authors do however, go on to develop their own process theory of relationship ending, stating that a relationship can take three forms; continuous, terminal and episodic. For example, in a continuous form, a negative service incident, or series of incidents, could result in a breakdown of the relationship, and this can come as a surprise for the buyer or seller, prompting either party to become dissatisfied in an otherwise healthy relationship.

An inadequate response to a negative service incident may lead the buyer to evaluate the process as being a failed response to the situation, and a less than an equitable service recovery. In this instance, the buyer may be "forced" into terminating the relationship. Stewart (1998, p.266) provides some detail to this process *"about which little is known"* in her empirical research into UK banking and subsequent relationship breakdown. Using a sample size of 89 ex-bank customers she found that when faced with a problem, buyers went through an emotive process describing words like frustration, anger, humiliation, embarrassment to encapsulate their feelings toward service issues, communication difficulties, staff attitudes and failed service recovery in the relationship ending process. She also evaluated the critical service incident in the context of the overall relationship, the efforts made during the service interaction and the prospects for future of the relationship. In this context, the relationship ending would appear to be an interactive process between buyer and seller. When faced with a problem, such as a negative service incident, the buyer evaluates the incident in the light of the problem itself and how this sits within the overall relationship context. This suggests that buyers do not make snap decisions about the future of the relationship, but, make an effort to resolve the issue, whilst evaluating the current costs, benefits and future relationship quality prior to termination. Stewart (1996, p.267) goes on to point out the managerial benefits of having information on this relationship ending process stating that;

"exit research may be productive, not only in generating enhanced understanding of exit, but also in enlightening general relationship processes".

Interestingly, her findings also stated that 85% of buyers had made an effort, with the seller, to try and get the problem resolved to mutual satisfaction.

This effort is likely to have come from engaging in some form of complaint mechanism, and so, the argument follows that a customer complaint could be regarded as an early warning system for buyer defection. White and Schneider (2000) take this line of debate forward, by proposing that buyers who complain provide the seller with an ideal opportunity to recover and resolve the situation and move them up the commitment ladder as a result of an increase in the level of buyer satisfaction. Indeed, Colgate and Hedge (2001) found that 75% of all buyers in their empirical research complained at least once, before switching to another service provider.

2.7.1 Conclusion

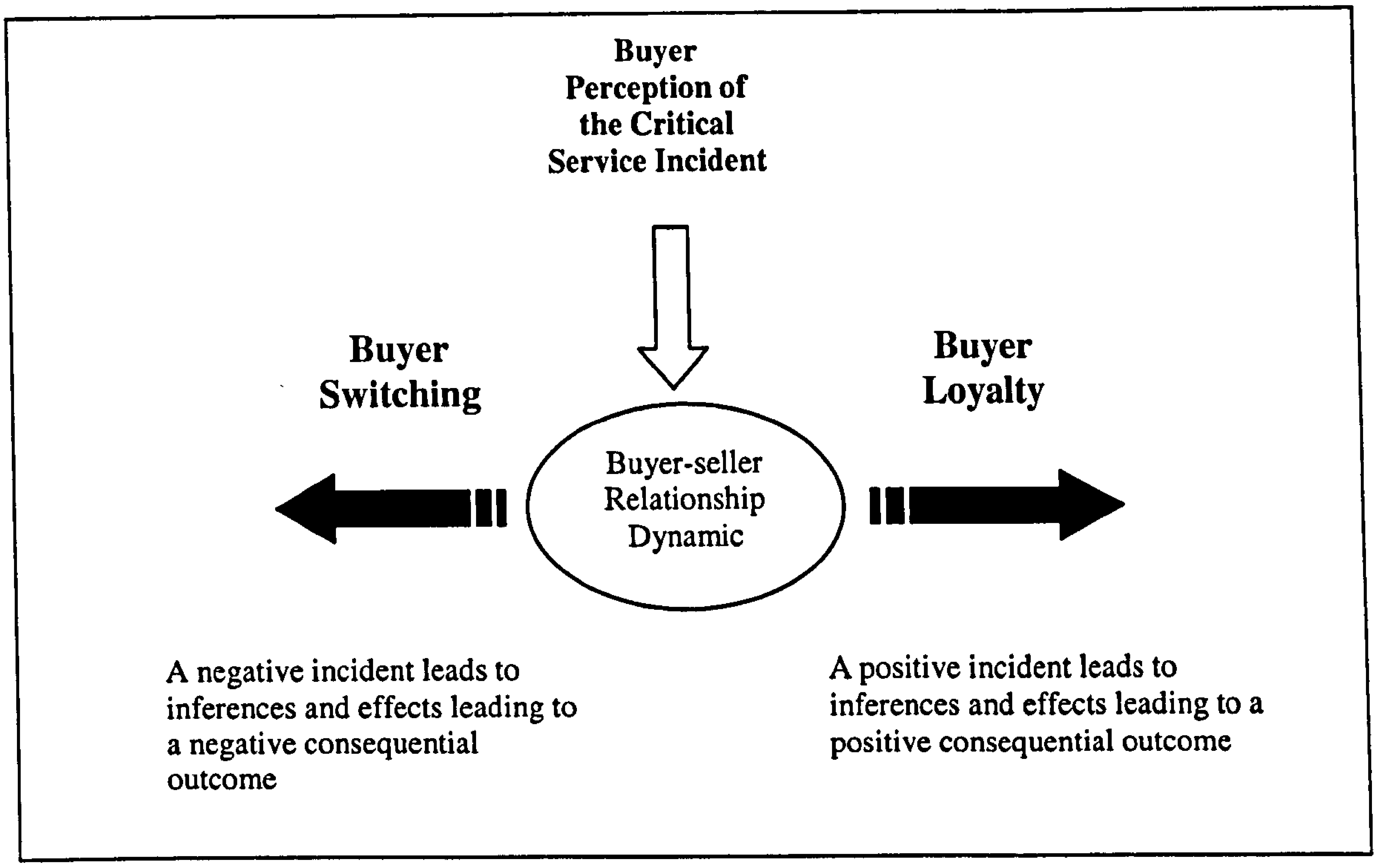
As stated in the introduction to this chapter, services marketing literature relating to critical service incidents is well established, with much of this knowledge taking an organisational (seller) perspective and a positivistic approach to the management of critical service incidents. Words like "zero defects", "100 % customer satisfaction", "creating customer delight" all appear common place in service marketing literature, presenting a modernistic view that perfection in service delivery can be achieved through the effective management of service personnel, service processes, and in particular, the service incident. This scientific rationality regards negative service incidents as the result of poor working practices, a lack of quality control, and employees failing to interact with customers according to management policies and guidelines set out in customer service manuals. Positive service incidents on the other hand, are the natural outcome of good working practices, successfully implemented and controlled, by committed staff who follow the procedures that have been declared in advance by managers. The service marketing literature readily acknowledges the existence of the service incident and that these incidents can contribute to buyer satisfaction in their positive form and buyer dissatisfaction in their negative form. This body of knowledge also states that the resultant buyer (dis)satisfaction leads to the bi-polar, and consequential outcomes, of loyalty or the buyer switching to another service provider.

It is the belief of the researcher that the approach promulgated by the majority of contributors to the service marketing paradigm appears to be too absolute and a rather impersonal perspective for an industry that is built on personal interaction, hospitality and congeniality. The positivistic approach to the management of service incidents also appears to be at odds with the multi-dimensional nature of interactive buyer-seller relationships that operate in an increasingly fragmented and competitive environment. Post-modern society has delivered a consumer who expects choice, flexibility, control and higher levels of quality from service providers. The expectation of service providers to aim at zero defections and total buyer satisfaction, may seem wildly optimistic, especially as some empirical findings suggest that negative service incidents are likely to be the norm and not the exception. Indeed, a minority view in service marketing literature has also presented a view that buyers expect, and are indeed tolerant of, negative critical service incidents. This gives rise to the notion that they would prefer to interact with service providers that are flexible, social institutions, who empower employees with the ability to recognise and responded to individual circumstances. Rather than dealing with staff who consult a manual detailing the procedures on how best to deal with a disgruntled customer during a critical service incident. The study of critical service incidents has, from a service marketing perspective, focused on service interaction, processes and outcomes.

In positioning this research, the premise of this thesis was to take the existing body of knowledge from service marketing literature and interpret it within the context of the relationship marketing paradigm. In doing so, this would then enable one to make an original contribution to theory by considering the influence that critical service incidents had, not only on the implied consequential outcomes of buyer loyalty and switching, but in terms of those inferences and effects that occur within the ongoing buyer-seller relationship. The relationship marketing literature proposes that the buyer-seller relationship is one where social bonds, such as trust and commitment, are developed, and maintained over time. It also suggests that trust between exchange partners can be destroyed fairly easily, but, that commitment to terminating the relationship is not so readily apparent. This is due to the intangible termination costs, which means that the relationship between buyer and seller are maintained in order to simplify the relationship, thus moving it into the arena of being more transactional in nature. Conducting research into the critical service incident, from a rational exchange perspective, would provide insight into the dynamics of the relationship between buyer and seller. For example, to consider the influence of the critical service incident on such areas of the relationship as; the trust and commitment between buyer and seller, the shared values of the buyer and seller, and the benefits of maintaining the relationship. It would also enable one to investigate those buyer inferences and effects that critical service incidents had in producing, or not, the consequential outcome of changing a buyer's relative attitude and purchasing behaviour to the point if increased loyalty, or indeed, termination of the relationship. As previously mentioned, with the exception of Bejou and Palmer (1998); Edvardsson and Strandvik (2000) and Palmer, Beggs and Keown-McMullan (2000) who investigated the effects of service failure on buyer trust and commitment to the relationship, there is a dearth of literature that considers the critical service incident in a relational context. The purpose of this thesis was, therefore, to address the relative absence of literature on the influence that the critical service incident had on the buyer-seller relationship.

This research, therefore, proposes that the buyer-seller relationship is a dynamic entity, and that the critical service incident can result in a change in the way the buyer and seller perceives their relationship. The literature review has presented the buyer-seller relationship as a complex and mutli-dimensional entity that is formed, built and maintained around a nucleus of commitment and trust constructs. In a service context, this type of relationship is characterised by interpersonal and dynamic interaction whereby these central constructs are prone to change during relational exchange. The review of literature has also enabled the researcher to construct a conceptual framework that would underpin this investigation over three cycles of action research inquiry, and is represented in Diagram 4 below.

Diagram 4: A conceptual framework for exploring the influence that the critical service incident has on the buyer-seller relationship.



The conceptual framework has primarily been constructed with the aid of the three major areas of research. Firstly, it argues that the buyer-seller relationship is a dynamic entity that can be influenced in such a way that it can be enhanced and developed by a critical service incident. The nature of this relationship has been drawn from the widely cited work of Morgan and Hunt (1994) in their Commitment-Trust Theory, who characterised the complexities and intricacies of the buyer-seller relationship as a series of key constructs that help to understand the relationship building, maintenance, and dissolution process. Flannagan's (1954) definition for identifying a critical incident has also been used to consider the nature of the service incident in terms of producing buyer inferences, effects and consequences. For example, a good level of communication (inference) during a service incident may lead to an increase in buyer trust (effect) toward the seller.

Whilst these inferences and effects have been drawn from the relationship paradigm, an additional buyer effect has been drawn from services marketing literature in the form of buyer satisfaction. The body of knowledge from the work of Anderson and Sullivan (1993); Hallowell (1996); Gengler and Popkowski Leszczyc (1997); Andreassen and Lindestad (1998); O'Malley (1998); White and Schneider (2000); Zins (2001); Lee, Lee and Feick (2001); and Butcher et al (2001) suggests that buyer satisfaction is an effect produced by a critical service incident. This buyer satisfaction leads on to produce attitudinal and behavioural indicators such as; re-purchase intent, resistance to switching to a competitors perceived superior service, and willingness to recommend the service through word of mouth communication. These loyalty indicators have, therefore, been considered in terms of the buyer's relative attitude and behaviour and the classification of buyer loyalty as conceived by Dick and Basu (1994).

The final part of the conceptual framework has been drawn from the work of Keaveney (1995) and her examination of the reasons why buyers terminated a relationship with their seller. Her research provided a useful basis on which to consider the primary constructs for classifying service incidents, and this has been further developed to consider how these incidents resulted in buyer inferences, effects and that consequently lead to the termination of the relationship.

In conclusion, the researcher believes that the consequential outcomes based approach to the examination of the critical service incident by the services marketing paradigm could usefully be re-interpreted within the context of the relationship marketing paradigm. In doing so this would consider the influence that critical service incidents have within the context of the ongoing buyer-seller relationship, which as a dynamic entity, may not be pre-disposed, as a matter of implied certainty, to the consequential outcomes of loyalty or termination following a critical service incident.

Consideration of the literature from both the services marketing and relationship marketing paradigms, and the resultant conceptual framework gave rise to the following exploratory primary research questions, that have been presented in more operational terms in the methodology chapter. In the first instance, it was important to consider the nature of the critical service incidents that buyers considered important enough to influence the relationship, so as to understand the service issues and potential change management initiatives that had to be implemented to overcome these problems. The research questions also considered the nature and state of the buyer-seller relationship and whether there was any alignment in the perspective, between these exchange partners, of the influence that the critical service incident had on the relationship. This was particularly important when considering the relative attitude and behaviour of buyers in comparison to other competing service providers. The research questions also sought to compare different types of buyer attitudes and behaviours and their reaction to the critical service incident, in an attempt to consider whether different types of relationship management approaches should be adopted for different types of buyers. Lastly, the question of whether the critical service incident actually produced inferences, effects and consequences had to be considered in a relational sense in order to contribute to the understanding of the subject area from both an academic and practitioner perspective.

- Do some service incidents naturally occur more often than others?

- Are buyer and seller perspectives of the critical service incident different?

- Does a positive critical service incident lead to buyer inferences, effects and the consequential outcome of buyer loyalty?

- Does a negative critical service incident lead to buyer inferences, effects and the consequential outcome of relationship termination?

- Are some buyers more likely to be influenced a critical service incident that others?

Chapter 3: Methodology

"To attempt to develop the reasoning powers, the powers of judgement, without reference to the selection and arrangement of means in action, is a fundamental fallacy".

John Dewey, Philosopher, 1897

3.1 Overview

The previous discussion in 2.7.1 concluded that there was a lack of literature and empirical research examining the critical service incident in a relational context. To this end, the purpose of this research determined the following research aim;

To explore the influence of the critical service incident on the buyer-seller relationship.

The Oxford Dictionary (1984, p.552) provided a useful starting point to consider the most appropriate approach to investigate this phenomena in the context of this research, as it provided a definition of the word philosophy. It stated that the word meant *"the use of reason and argument in the search for the truth and knowledge of reality"*. At first glance this definition would appear to be straightforward, however, the ease in which it appears on the page belies the profound nature of trying to comprehend its composite elements. Under closer scrutiny, words like 'truth', 'knowledge' and 'reality' provide the basis for deep and meaningful intellectual discussion.

In addition, the definition also includes the words 'reason', 'argument' and 'search' which also provide a basis on which to consider the nature of this research in terms of producing findings that are rational, justified, valid and have been achieved through appropriate methods of investigation. As a result of closer inspection, the above definition would, therefore, appear to provide a good basis on which to progress this chapter on research methodology. As such, the researcher's stance on the philosophical assumptions that underpinned this investigation will answer questions concerning the critical service incident and the buyer-seller relationship in terms of; the nature of knowledge and reality; the relationship between the researcher and the phenomena; and the methodological arguments that have conceptualised the entire research process over three cycles of action research. The discussion will conclude with how the findings were validated in search of trustworthiness and credibility.

3.2 Research philosophy

The consideration of philosophy in any context provides a breeding ground for much discussion, as it deals with the complex nature of basic beliefs that underpin the social and scientific world. Guba and Lincoln (1989, p. 83) point out the problems of considering different philosophical paradigms, going on to state that *"there is no way to answer these questions in an unambiguous and certain way or in a way that is capable of proof"*. Consideration of this statement provides obvious grounds for contention, for this research study, particularly as it is meant to result in change management initiatives for the purpose of problem solving.

The question, therefore, is how to create a basis of certainty in understanding the influence of the critical service incident on the buyer-seller relationship, when philosophically, truth is nothing more than a value judgement? The answer to this philosophical question, lies in the search for validity in the research conducted. In essence, the reality and truth about the influence that critical service incidents have on the buyer-seller relationship lie somewhere in the middle ground between the researcher's and his audience's perspective. It is for this reason that the peer consultancy meetings provided an ideal process opportunity to question, discuss and reflect on the findings of each research cycle and to evaluate reality and truth in the context of the WHC's organisational politics, resource issues, individual manager and group management perspectives. Having said that, Guba and Lincoln (1989) go on to stress that the basis of any philosophical debate should consider the basic assumptions that underpin the relationship between ontology, epistemology and methodology; all of which will be discussed during the course of this chapter.

The historical debate about the best philosophical approach to adopt in management research, that is the conventionalist, positivistic approach or the constructionist, naturalistic approach (Guba and Lincoln 1989) has been acknowledged by the researcher. When considering the stance taken in this thesis, the relative merits of both perspectives were considered and have been used to develop an appropriate research design for the phenomena being investigated, whilst at the same time, being mindful of the very real tensions between producing methodological perfectionism and the realities of producing information that would inform and enable a change management process.

As a researcher operating in an action research environment, the search for methodological perfectionism had, on occasions, to be sacrificed in order to meet resource and timescale constraints, therefore, a "pragmatic" philosophical stance was adopted. Kemmis and McTaggart (2000, p.591) provide support for this approach, arguing that the search for valid data should not be considered solely on methodological grounds, but also on ontological grounds, believing that;

> *"there may be a trade off between methodological sophistication and 'truth' in the sense of timely evidence capable of giving participants critical purchase on a real situation".*

Greenwood and Levin (1998); Revans (1998) and Silverman (2000) also support this pragmatic philosophy maintaining that the pure empiricist will be more concerned with the appropriateness of the method to access data to produce a purposeful outcome, rather than dwelling on the theoretical base of research design. This position held true with the nature of this investigation, as working in an action research environment usually meant working to tight deadlines to ensure that management had timely reports that could be disseminated through small, ad hoc, and monthly Board of Management meetings. This was particularly evident in research cycle three, when the turnaround time for information on the reasons why members had terminated their relationship with the WHC was tight. The researcher at this point had considered the alternative methods of a postal survey or personal interviews as perhaps being the most appropriate way to obtain this data.

However, these methods are ultimately more time consuming in terms of data collection, and were subsequently discounted in favour of the quick turnaround in data collection that telephone interviews afford.

The roots of the pragmatic philosophy can be traced back as far as the first century BC to Cicero, the Roman orator, lawyer, politician and philosopher. He examined the tensions between the study of philosophy in the search for truth and the need to study philosophy for the purposes of action being taken. Indeed, much of his writing illuminated his frustration with his contemporaries who he thought engaged philosophical debate, for the sake of debate. As such, he believed that their search for truth yielded little or no practical contribution to every day life. Cicero stated that philosophy should be made more accountable and could more usefully contribute to, for example, producing more effective political action. He consequently stated that *"we should not be so taken in with the search for truth as to neglect the needful duties of action in life, for it is only action that gives value"* (www.utm.edu/cicero). Contemporary discussion follows the vein of thinking postulated by Cicero, and considers how a pragmatic approach to philosophical debate can inform research activities that lead to action and subsequent effective management techniques. Indeed, Lewin's (cited in Sandford, 1981) early conceptualisaton of action research was driven by what he saw as the preclusive nature of philosophy in management research and action to stimulate management change. Greenwood and Levin (1998, p.73) cite John Dewey, the American educationalist and philosopher from the 1880's as the modern architect of the pragmatic philosophy.

They point out that *"Dewey's approach is his steadfast refusal to separate thought from action...and that he believed the only real sources of knowledge are to be found in action, not in armchair speculation"*. Unfortunately for Dewey, the modernist research agenda to social science dominated at the time; the separation of science and practice meant that his pragmatic philosophy, therefore, remained a marginal and illogical method to investigate phenomena in social science. However, more recently, it appears to have gained a resurgence with the advent of action research, with Revans (1998) and Greenwood and Levin (1998, p.75) suggesting that *"pragmatism connects directly to action research"* as it aims to provide insight into, and solve specific organisational problems. Kemmis and McTaggart (2000, p.592) developed this line of inquiry by arguing that *"the loss of methodological sophistication is a price worth paying in most practical contexts of transformative social action"*.

The pragmatic research philosophy adopted for this study, therefore, embraced both positivist and naturalist paradigms. The reason being that the researcher believed that the ontological questions of truth and reality in relation to understanding of the influence that critical service incidents had on the buyer-seller relationship would be answered by utilizing the relative strengths of both paradigms. As a result, a constructivist, naturalistic mode of inquiry was used to explore the research setting in research cycle one. The researcher believed that in an alien environment, he could and should, be exposed to the possibility of the existence of multiple truths concerning the critical service incident. In research cycle two, the same philosophical approach was maintained as it sought to compare and contrast the relative views of members and management at the WHC, again to explore whether different versions of the same phenomena existed for buyers and the seller. Research cycle three adopted a positivist approach as the findings from the previous research cycles had indicated a recurrent and converging theme, thus suggesting a common truth in terms of the influence that critical service incidents had on the buyer-seller relationship. That was, that a negative critical service incident, or series of incidents, were responsible for a decay in the relationship, and for some buyers, these service incidents had prompted them to terminate the relationship. In conclusion, the adoption of a pragmatic philosophy for this study had, over three cycles of action research, essentially destroyed the *"classical ontological-epistemological distinction"* that Guba and Lincoln (1989, p.84) argue is so steadfastly defended by the separatist supporters of both paradigms. The purpose of action inquiry is to use knowledge as an instrument of action, where action is used to provide insight and solutions to management problems. The researcher has not 'favoured' a positivist or naturalist research agenda, but has addressed the research questions in each of the research cycles and sought apply the most appropriate methodology to investigate the issues at hand. Adopting a pragmatic research philosophy has enabled the researcher to mix and match inductive and deductive philosophies as a pragmatic way of obtaining insight into the influence of the critical service incident on the buyer-seller relationship. This has meant that this exploratory research has adopted inductive approaches in research cycles one and two and a deductive approach in research cycle three purely and simply because it was the most appropriate way to address the questions of each research cycle.

Whilst much of the literature on research philosophy contends that the approaches of positivism and naturalism are largely preclusive, Kirk and Miller (1986) and Seymour (1988) argue that both paradigms are equally scientific, but via differing routes of investigation and research design. Brody (1992, p.176) takes this debate one step further, positing that both paradigms seek the goal of trustworthiness in data and findings, going on to say that;

"While the positivist paradigm seeks trustworthiness through such means as control and randomization, probabilistic sampling, replication and objective instrumentation, the naturalistic paradigm seeks basically the same ends through different methods, which are better suited to a human subject matter".

3.3 Research design

The research design for this inquiry was consistent with the research aim of exploring the influence that critical service incidents have on the buyer-seller relationship and has been informed by philosophical and methodological literature. The design also remained consistent with the conceptual framework presented in 2.7.1 by examining the inferences and effects that lead to the bi-polar outcomes of customer loyalty and customer switching following a critical service incident. As a result, the views of existing and past members of the WHC were investigated.

Action research provided an umbrella strategy for conducting and operationalizing the research. This exploration into the buyer-seller relationship and the critical service incident, therefore, adopted the central theme of Kurt Lewin's work, whereby, the most effective way to investigate the phenomena was to create action that lead to change. However, it was only through a process of iterative action, change, data collection and reflection on change outcomes, over three action research cycles, that insight into the phenomena was obtained (Sanford, 1981; Elliot, 1991; Ellis and Kiely, 2000; and Reason and Bradbury, 2001). Denzin and Lincoln (1998, p.269) also point out that this method of inquiry has a dual role to play in the investigation of phenomena, suggesting that;

"One aim is to produce knowledge and action directly useful to a group of people...the second aim is to empower people at a second and deeper level through the process of constructing and using their knowledge".

The researcher has followed the basic principles of action inquiry by; seeking collaboration with a practitioner (the WHC), over a matter of genuine concern to them, that was the management of service incidents (Eden and Huxham, 1996); conducting research and reporting the findings to enable management change (Cunningham, 1995; Kemmis and McTaggart, 2000); and considering the development of theory or knowledge to inform other management research contexts (Saunders et al, 2000). It follows then, that if management change is a key driver for the action inquiry process, then management views should form part of this investigation in order to develop an understanding of their attitudes toward the phenomena and the change process. Consequently, a reflective diary (Chapter 7) has been used to capture the essence of the management change process and reflection, with particular emphasis being placed on the action learning of the Chief Executive of the WHC over the three cycles of action research. The research design for this investigation is shown in Diagram 5 below.

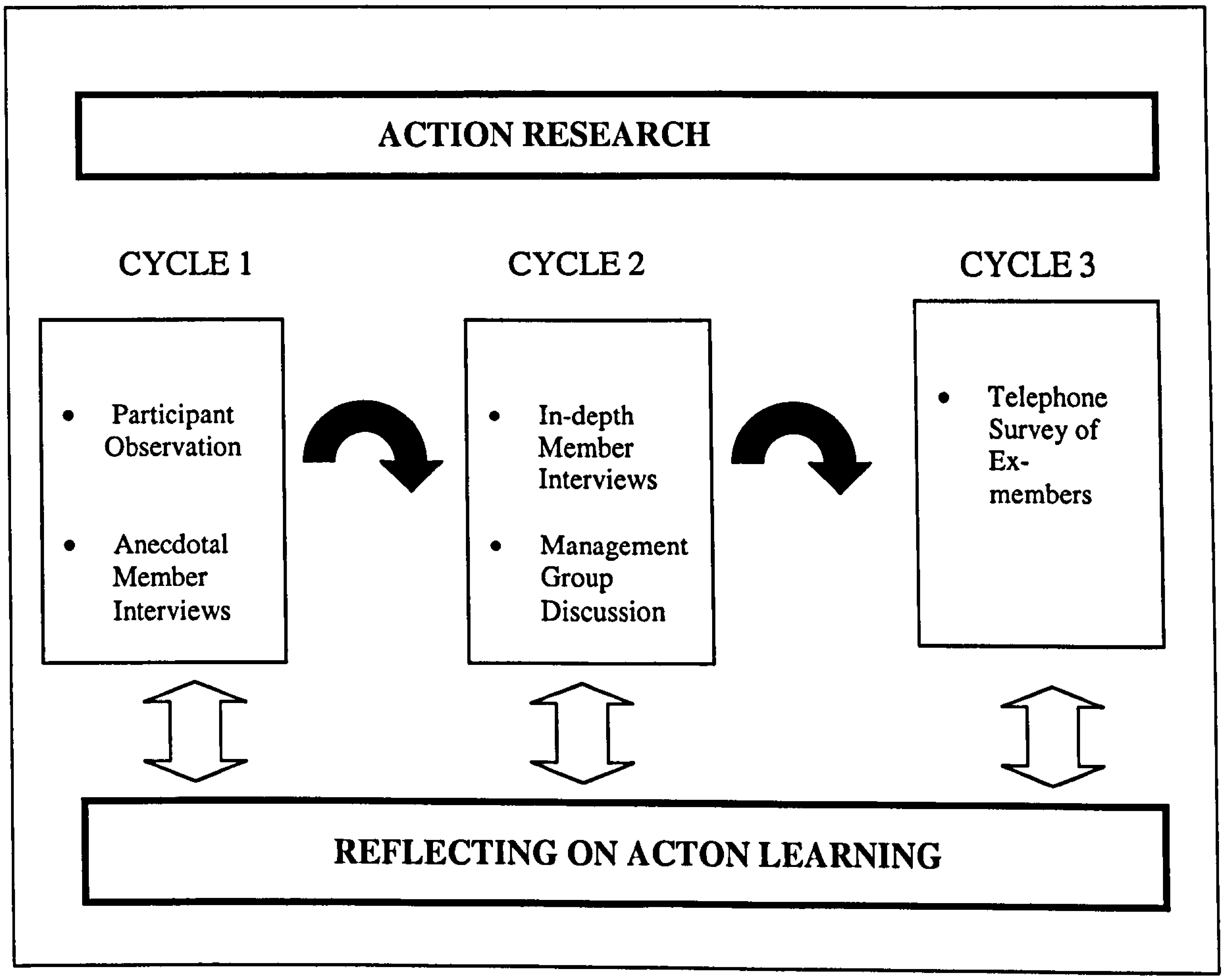


Diagram 5: Research Design.

3.4 Research methodology

Guba and Lincoln (1989) point out that just as epistemological considerations are dependent on the ontological question, so the methodological approach is dependent on the responses to both the ontological and epistemological questions. From this deliberation, the distinctions between the perceptions of reality and the role of the researcher among the conventional, positivist approach and the constructivist, naturalist paradigm are noted and the methodological stance for this study emerged.

The methodological strategy for this inquiry used a multi-method approach for the research design. Whilst this may appear sacrilegious to purists from the positivist or naturalist schools, adovocates of the mutli-method approach include Fielding and Fielding (1986); Seymour (1988); Guba and Lincoln (1989); and Saunders et al (2000), all of whom emphasise the advantages of the combined methodological approach. They consider this multi-method approach useful since different methods can be used for different purposes for the same study. It also enables the corroboration of data through triangulation, thus offering the potential to obtain a range of ontological evidence into the influence that critical service incidents have on the buyer seller relationship and to improve the credibility, trustworthiness and validity of the findings. Kirk and Miller (1986, p.15) also consider the multi-method as a complimentary technique since the qualitative methodology *"identifies the presence or absence of something"*, whereas the quantitative methodology *"involves the degree to which something is present"*. Kemmis and McTaggart (2000, p.580) debate this argument from an ontological standpoint. They argue that *"it would be a mistake to conclude that truth and certainty reside with quantitative methods, or that they reside with qualitative methods"* and that more recently there has been a move towards a more 'pragmatic philosophy' in methodological design, as previously discussed. Support for this approach was also taken from the work of Bejou and Palmer (1998, p.12) following their empirical work exploring service failure and the subsequent effect on the trust, commitment and loyalty of customers in the airline industry. They argue that the *"essence of data collection techniques is to get close to the phenomena being investigated"* and that multi-methods comprising of personal interviews, focus groups and participatory observation are often the most appropriate way to pursue this objective.

The research design emerged through a consideration of the research questions for each research cycle, and the data collection methods that appeared to be the most appropriate to investigate them. In some cases the research questions emerged from the reading of literature presented in Chapter 2, and on other occasions, research questions emerged during discussion with the Chief Executive of the WHC. As a result, a multi-method approach consisting of; participant researcher observation at the WHC, in-depth interviews with current members, a group discussion with WHC management and a telephone survey with ex-members was used across the three cycles of action research. These methods were deemed to be the most appropriate to investigate how critical service incidents influenced the relationship between the WHC and their members, and also attempted to increase the validity of the findings by seeking to answer ontological questions by linking these disparate data sources.

3.5.1 Research cycle 1: research objectives

The first research question *'Do some critical service incidents naturally occur more often than others?'* was operationalised by the following research objectives and method.

- To explore and gain an insight into the service environment by experiencing the services offered by the WHC.

- To identify member views of the service environment, and in particular, the naturally recurring critical service incidents.

3.5.2 Research cycle 1: research method

The researcher first met with the Chief Executive of the WHC, in his office, in March 2001. During the discussion, it was agreed that having a peer consultant overtly working within WHC may change the way management and staff interact with their members. To overcome this potential problem the researcher would undertake this first cycle of research by becoming a member of the club, actively being involved in the full range of service provision. In this way, the researcher would be able to observe and experience the service provision at first hand and be able to identify naturally recurring critical service incidents. After the meeting the researcher was then asked to complete a new member application and was enrolled with the WHC as any other member would have been.

The roots of participant observation lie firmly in anthropology, where it is argued, that in order to understand a group of people, the researcher must engage in extended periods of observation, reflecting on people, processes and the interactions involved in the social lives of WHC club members (Creswell, 1998; Denzin and Lincoln, 1998; Mariampolski, 1999).

This phase of the research consisted of 12 visits to the WHC, consisting of 22 hours of research activity in an attempt to explore and understand the general service environment and those naturally recurring critical service incidents. Elliot (1991, p.73) points out that participant observation is an ideal method to use within the action inquiry process, particularly during the first cycle, as it can help *"clarify the nature of the problem...generating categories for classifying the relevant facts"*. Jenkins (1997, p.71) argues this point from an organisational perspective, stating that this type of research can also be useful in identifying and defining a firm's major customer groups. He continues his argument by saying that it *"is not a question of semantics, it's central to the strategic focus of the organisation"* and can act as a fundamental building block in developing and maintaining the buyer-seller relationship. As will be seen in the following chapters, his point was confirmed by the findings of this research, in so far as, a number of different member groups were identified, each having a different type of relationship with the WHC, and each being more or less responsive to the influence of the critical service incident. At a more tactical management level, Silverman (1993, p.30) goes on to argue that in this learning role, participant observation enables the researcher to gain knowledge of people, everyday events, actions, interactions and norms which naturally contextualise the research problem. He goes on to provide a rather useful vignette;

"When you stand on the edge of a village and watch the noise and motion, you wonder, Who are those people and what are they doing?"

Supporters of this ethnographic approach include Gill and Johnson (1991); Delbridge and Kirkpatrick (1994); and Cunningham (1993, p.131). The latter illuminates the benefits of this method by saying that in some instances organisational life is better understood using soft measures that can gain information on *"a setting, its history, processes, personalities and events"*. The methodological appropriateness of *"going native"*, as Creswell (1998, p.59) stresses, will also ensure that the researcher not only shares a sense of reality with their surroundings, but also attempts to establish patterns of behaviour, language and the interactions of culture sharing groups. Arnould and Wallendorf (1994, p.485) also confirm that this method is particularly appropriate as it can provide an understanding of the critical service incidents that *"are naturally occurring real-time events witnessed by an ethnographer that can stimulate real-time interpretive insights"*. This insightful statement proved to be the case, as on many occasions, the researcher would experience and or note real-time critical service incidents that were later included in reflective and interpretive field notes (see Appendix 1 for a sample).

The process of gaining an insight into the natural setting and attempting to identify recurrent critical service incidents resulted in the researcher taking part in many of the services offered by the club and experiencing them in a way similar to everyday members of the WHC. Activities such as; tennis, club night tennis, yoga, swimming, aerobics, aqua-aerobics, the gym, food and beverage, were undertaken. After several visits to the club, the researcher found that the best place to obtain member data was in the mixed steam room.

Here, members would often discuss club matters, other members, other groups of members, the facilities, employees and management in the confines of a hot and sweaty environment that was completely secluded from the outside world. In this environment members were quite open in their comments (both positive and negative) about the service environment, and specific service incidents, knowing that no one outside could hear them. On the occasions when discussion wasn't forthcoming the researcher developed a useful tactic to get people to engage in conversation. This would involve watching from the swimming pool to see members enter the steam room, then after a few minutes, enter the steam room and close the door firmly behind him. This resulted in a shower effect, with condensation from the roof falling on to everyone. With an apology, and a laugh from the researcher, it was a useful way to introduce myself as a new member and start off the flow of conversation. Gill and Johnson (1991, p.189) and Denzin and Lincoln (1998, p.280) point out the advantages of this type of *"experiential activity"* by stating that a real understanding of critical service incidents can be obtained simply by participation with other members of the WHC.

The period of participant observation lasted between March and June 2001. The involvement in club activities, interaction with members, staff and service systems, and the research process of making field notes, and reflecting on observations and interactions had, as Botschen, Bstieler, Woodside and Arch (1996, p.63) stated, provided a useful *"blueprint"* from which to contextualize the critical service incident and its influence on the buyer-seller relationship. These reflections subsequently resulted in the researcher concluding that the general service environment was in a state of flux following the involvement of the LTA, and that the service incidents being reported to, experienced or observed by the researcher, had left some members unhappy with the state of their relationship.

From participant observation, the researcher was also able to identify and classify three recurring themes. Firstly, that the club consisted of very different membership groups that were central in creating a combustible environment for the occurrence of critical service incidents. Secondly, that communication between members and staff was problematic, and thirdly, membership capacity created a range of member tensions and problems.

3.6.1 Research cycle 2: research objectives

The findings of the first research cycle enabled the researcher to understand the nature of the service environment and themes in the critical service incidents being reported, as well as the main membership groups in the club (The Old School, Body Beautiful, Train and Go, Keen Amateurs and the LTA Stars). A more comprehensive description and evaluation of these groups has been provided in the next chapter. Whilst the role of participant observation was to experience and understand 'life in the village' as Silverman (1993) might say, Argyris (1995, p.163) argues that the next logical ontological step is to check the findings from covert observation with respondents in a more overt research process. By integrating this approach into the research design, one can more accurately understand the nature of the buyer-seller relationship and the influence of critical service incidents, and therefore, ensure that the interpretations and meanings from the first research cycle are valid.

Consequently, data was collected from both members and management of the WHC, with the specific research questions in mind; *Are buyer and seller perspectives of the critical service incident different? Does a positive critical service incident lead to buyer inferences, effects and the consequential outcome of buyer loyalty? Are some buyers more likely to be influenced by a critical service incident than others?* These questions were operationalised as the following research objectives;

- To explore member views of whether critical service incidents had positively or negatively influenced their relationship with the seller.

- To explore management views of whether critical service incidents positively or negatively influenced the relationship between buyer and seller.

3.6.2 Research cycle 2: research method

A total of 6 in-depth interviews were conducted with respondents from four of the five member typologies mentioned above. The researcher recruited respondents by simply asking if they would take part in a research project that was being conducted in association with the WHC. All interviews were conducted at the WHC and ranged from 15 to 50 minutes in length, with the variance in time being attributed to respondents being; more or less articulate, more or less trusting of the researcher, more or less tolerant of the service provision and more or less able to recall specific service incidents over time. These member interviews were also used as a part of a triangulation of data process over the three cycles action research. Denzin and Lincoln (2000, p.650) draw attention to the weakness of this method by arguing that often a *"respondent may embellish a response"* or provide a *"socially desirable response"* in order to please the researcher, thus calling into question the validity of the data being collected. Silverman (2000, p.32) also suggests that these problems raise important methodological issues about *"whether interview responses should be treated as giving direct access to 'experience' or as actively constructed 'narratives'"*. Having said that, the researcher was not left with the impression that these respondents had embellished their responses to the questions posed, although some of them (The Old School and Keen Amateurs) did leave the researcher with the sense that they thought of these interviews as an opportunity to "off-load" some of their grievances. In conclusion, in-depth interviews are a widely used method in management research and as Saunders, Lewis and Thornhill (2000) and Mariampolski (2001) argue, it is particularly useful as it provides the researcher with an opportunity to probe, explore and seek new insights into the influence that critical service incidents had on the buyer-seller relationship.

In the first instance an interview guide, adapted from the research of Bitner et al (1990), was used as the basis for questioning. However, what at first seemed a useful format for the interview, actually turned into a rather ambitious questioning structure. In particular, respondents had problems recalling specific service incidents, the processes and the dates involved. Whilst Patton (1980, p.198) presents a strong argument for the use of structured interview formats as it enables the researcher to obtain *"comprehensive* *data*" across a range of respondents, the researcher ultimately adopted a more flexible approach when interviewing. This meant keeping to the "essence" of the Bitner et al (1990) format which was primarily concerned with identifying critical service incidents by asking respondents to *'think about an occasion when they were satisfied or dissatisfied'* with service provision. The respondents were also asked to consider how this incident had affected their relationship with the WHC (see Appendix 2 for in-depth interview guide, Appendix 3 for sample notes from the in-depth interview).

3.6.3 Group Discussion with management

Having completed the in-depth member interviews, the researcher wanted to compare and contrast the members' view of the service incident with that of management, in order to assess the degree of attitudinal fit between these two groups. The researcher had originally sought to gain access to management and front-line staff of the WHC. Firstly, in order to order to explore whether there were different or similar perspectives of the members and the service incidents being reported, and secondly, to compare these findings with the service marketing literature on employee and management views of the critical service incident. However, this wasn't to be the case. In discussion with the Chief Executive he was clearly unhappy with the idea of interviewing front-line staff because he thought that my presence as a peer consultant may work against his efforts to contain conflict within the organisation. He also stated that the problematic service issues he was facing at the club were also, in part, due to low quality front-line staff who lacked a service orientation, particularly the reception and catering staff and some of the self-employed tennis coaches.

In conclusion to our discussion he stated that it was up to him and his management team to get things right and it was subsequently agreed that a group discussion with key members of the WHC management group would be the most practical method of data collection.

In particular, management with front-line exposure to members were invited to attend and ultimately consisted of; the Director of Tennis, Health & Fitness Manager, Membership Services Manager and Head of Reception. The Catering Manager had previously confirmed his attendance but was absent from work due to illness on the day of the discussion. Saunders et al (2000) note the dangers of undertaking management research with a host organisation, in so far as, the individuals invited may have been instructed by senior management to attend. Subsequently, they may have concerns over confidentiality of the proceedings, a lack of trust, anonymity or saying something outside 'company policy'. As it happened the management group discussion did not echo the above concerns.

The meeting turned out to be the most daunting part of the entire action research inquiry. As previously noted, the participant observation undertaken in research cycle one and the member interviews at the start of research cycle two had been conducted covertly as far as the management group was concerned. The researcher subsequently entered the WHC with some trepidation, knowing that the managers' believed, to some extent, that they had been duped by their superior (see 3.11.1 to follow). The discussion took place in the Conference Suite of the WHC and was scheduled to last an hour.

The meeting started a little tense. The researcher introduced himself and the topic of research over a cup of coffee and biscuits and advised the managers that the content of what they said would not identify them by name, so there was a certain amount of confidentiality to the discussion. After about 15 minutes of small talk the group began to relax, leading to one of the managers to say *"So, do you want us to tell the truth?"* which made everyone laugh.

A small range of stimulus material, in the form of bubble drawing and word association projective techniques, were used at the outset of the discussion in order to encourage them to relax, bond together, build up a rapport with the researcher and ultimately get them to think about the task at hand. Gordon and Langmaid (1988) consider the aim of these techniques to facilitate a deep exploration of a person's feelings about situation and certainly a range of attitudinal responses to the questions resulted. The group discussed their views of the club, perceptions of general service environment, the member groups identified from the participant observation and the reactions to the critical service incidents raised by members (see Appendix 4 for discussion guide and Appendix 5 for sample notes). From a practical standpoint, the group discussion had obvious time related benefits in terms of getting a group of mangers to attend a meeting together. However, Saunders et al (2000) and Mariampolski (2001) state that the management group discussion is an appropriate method of data collection as like minded respondents can discuss their views of the members and the management of service incidents. In this way, the group discussion was useful not only in generating ideas, but also exploring different angles and evaluating different manager's perspectives of these issues. Whilst this method had obvious advantages over an alternative option like the in-depth interview approach, many researchers readily accept that a group effect can suppress, influence or distort individual opinions. Whilst Denzin and Lincoln (2000, p.652) go on to state that the efficacy of this method can also hinder data collection as an *"emerging group culture can interfere with individual expression... and 'group think' is a possible outcome"*, the researcher did not believe this to be the case. The general dynamic of the group discussion was good. Whilst the Director of Tennis was particularly forthright and even blunt in his opinions, there were no obvious signs that he dominated the group with his strong personality. In addition, there was no indication of overt group think across all topic areas, and each manager was quite happy to either support or contradict each other in an open and frank discussion. The discussion became more fluid the longer it went on, and in many ways had turned out better than expected.

The group had started out being rather cautious and suspicious of what was going on, but at the end they were keen to know the outcome of the research and better ways of managing the service to their members. As a result, the scheduled 1 hour meeting turned into just under 2 hours. What originally felt like going to the lion's den for data collection, finally ended in a huge sigh of relief by the researcher.

3.7.1 Research cycle 3: research objectives

The focus of the third cycle of research had been determined in discussion with the Chief Executive and the researcher following the publication of a study for the Fitness

Industry Association by Hillsdon (2001). This study investigated member attrition rates at health clubs across the UK, and as such, provided an incentive to explore WHC ex-member views of the influence that critical service incidents had on the buyer-seller relationship. Thus providing data on the negative outcome, or consequences scenario, described in the conceptual framework in 2.7.1

At this stage the research took on a whole new dynamism as the Chief Executive said that he would like the timing of research cycle three to be moved forward by four months. This was because he had recently had several high value members resign from the club and was particularly concerned to know about their reasons for leaving. A meeting was subsequently arranged with the Chief Executive and the Administration Manager for the next morning. The outcome of the meeting centred around three points; speed of information, whether specific service incidents had resulted in members leaving the club and to quantify the monetary value of members leaving as a result of these incidents. It was also agreed that selecting the high value members who had left in January 2002 would also act as a pre-test for the real focus of this cycle which was to discover the reasons members had left the club during April 2002.

The following research questions; *Does a negative critical service incident lead to buyer inferences, effects and the consequential outcome of relationship termination? Are some buyers more likely to be influenced by a critical service incident than others?*

These questions were operationalised through the following research objectives;

- To investigate ex-member views of whether a negative critical service incident had influenced their decision to terminate their relationship with the seller.

- To assess whether certain member typologies were more or less likely to terminate the relationship following a negative critical service incident.

3.7.2 Research cycle 3: research method

At the start of this research cycle the researcher was unsure about the methodological appropriateness of using a telephone based survey for the collection of critical service incident data, however, this doubt was overcome whilst investigating the relevant literature. This identified a number of studies that had used the telephone survey as a method to collect data on customer satisfaction through the use of the critical incident technique; Hallowell (1996); Gengler and Popkowski Leszczyc (1997); Andreassen and Lindestad (1998). In particular, Stewart (1996, p.268) investigated relationship breakdown in the retail banking industry using a sample of 89 ex-customers. Using a telephone survey, she stated that this method enabled respondents to *"tell their story"* after which the content was analysed and used to build a picture of the customer exit process. The questionnaire design (see Appendix 6 for sample and Appendix 7 for sample data analysis) was informed by a range of previous empirical research in the field of service delivery, interaction and processes, that had used the critical incident technique.

Questions 1 and 2 attempted to collect data on membership category that would be used to eventually categorise service incidents by the previously identified member typologies. Question 3 was derived from the WHC monthly Resignations Report and was included, as it provided high level responses to the reason that members left the club. Question 4 was informed by the work of Keavney (1995, p.72) who sought to identify the extent of use for individual elements of the service provision as *"respondents may have been unsure of what was meant by 'services'"* and whether these services had been purchased during a recent time frame. The emphasis on time frame was subsequently dropped following the January test because some ex-members could not remember a recent incident, but could recall "an incident" during their membership. Recency of incident was, therefore, not regarded as important as the saliency of the incident to ex-members. Also, some members stated that they had not used the club during the specified 3 month time frame and that this was the reason for leaving. Questions 5 to 8 were included to gather data of specific attitudinal and behavioural data following service incidents that were both satisfying and dissatisfying. This approach was informed by a number of similar studies including; Bitner et al (1990) and Keavney (1995) who focused on service encounters and recovery whilst investigating satisfactory and unsatisfactory service incidents; Smith, Bolton and Wagner (1999) who identified the magnitude of service failure with the size of service recovery and Odekerken et al (2000) who investigated positive and negative views of service quality through the use of the critical incident technique.

The Chief Executive and the Administration Manager were also interested in knowing if the ex-members who had left due to being dissatisfied with the service, had in any way complained about the incident. The questionnaire was then updated, by adding Question 9, to reflect this request which is in line with research (Colgate and Hedge 2001) concerning complaining behaviour, which suggested that this type of activity is an early warning sign for customer defection. Questions 10 and 11 were included to investigate ex-member satisfaction ratings and to compare these with previous research on member ratings undertaken by the WHC in September 2001. The questionnaire design, therefore, followed the general thrust of the body of knowledge in this field. By combining qualitative recall of service incidents, which were content analysed, with quantitative elements of service provision, a hybrid questionnaire to ex-members was developed. Thus producing the "*rigour and vigour*" approach, as eloquently put by Bitner et al (1990).

3.8.1 The reflective diary

As mentioned in 3.3, one aspect of this action inquiry thesis was to reflect on a change in the management process, but more specifically, in relation to the action learning of the Chief Executive in terms of the management of critical service incidents. The data was captured during 6 meetings that consisted of a combination of one to one peer consultancy meetings with the Chief Executive, and meetings with the Chief Executive and part or all of his management team. In all, these meetings consisting of some 11 hours worth of data, spread over three cycles of action research during a 15 month period.

The data was not tape recorded as the Chief Executive was not comfortable with this process of data collection. As a result, the researcher made immediate tape recordings of his thoughts post interview in order to capture the essence of the conversations, and reflect on the main points of change initiatives, and outcomes of action discussed during the meetings. As such, the central theme of action research, enabled through peer consultancy, was followed. That is, as Lewin (cited in Sandford, 1981); Revans (1998) and Ellis and Kiely (2000) amongst others state, a process of cooperative problem identification refined through iterative cycles of action research and reflection, in order to enable management learning and change as a basis to understand the phenomena at hand (see Appendix 8 for a sample of the reflective diary).

3.9.1 Sampling procedure

In the first cycle of research, the primary objective was to explore the research setting and obtain information on the influence that critical service incidents had on the buyer-seller relationship. Conducting the research in an alien environment meant that the sampling procedure for the first cycle was non-probability and convenience based, collecting and observing data from WHC members who were *"available to provide this information"* (Sekaran,1992, p.235). The second cycle of research sought to investigate the critical service incident in the context of the buyer-seller relationship, but, was more focused on exploring the views of those specific member groups identified in research cycle one. As a result, the sampling design was again non-probability based, but purposively driven, thus allowing the researcher to select and target specific respondents

(Saunders et al, 2000; and Sekaran, 1992). Sykes (1990, p.305) supports this approach by stating that samples that are purposively selected from the member groups will "*...increase the chances of covering the range of issues*" relating to the service incident and the buyer-seller relationship. The only criteria used to select respondents was that they should be from different member groups. Subsequently a sample of 6 members, two from The Old School, two from the Keen Amateurs and one each from the Body Beautiful and the Train and Go categories were chosen for in-depth interview. The LTA Stars were not interviewed as most of the sample appeared to be under the minimum age limit of 14 years, set by the Market Research Society, for interview without parental consent. It was deemed by the researcher to be too time consuming a process, within the confines of the second research cycle to seek this consent.

The third cycle of research sought to investigate ex-member views on the role that a negative service incident may or may not have played in members decision to leave the WHC. The monthly Resignations Report was provided by the WHC and showed the details of 101 ex-members for the month of April 2002. From this population frame, 51 ex-members were successfully contacted. Of the remaining non-responding ex-members; 20 could not be contacted due to changed telephone numbers, 16 were simply not at home when contacted on at least five occasions during the day and early evening and 14 could not be contacted during the survey period due to being on holiday.

3.9.2 Data analysis

As mentioned in Chapter 2, there are varied definitions of what constitutes a critical service incident. However, the common strands between these different interpretations are that these incidents are 'observable human activities' that are 'memorable' in the mind of the customer, and they create buyer inferences, effects and consequences. The three findings chapters that follow, have used the matrix format of data analysis shown in Table 1 below. This matrix was used to categorise service incidents, and resulting buyer inferences, effects and consequences in accordance with a range of relational, buyer satisfaction, buyer loyalty and switching constructs. However, whilst the matrix format below provided a useful starting point for data analysis, it was adapted slightly, so as to conform to the requirements of the objectives for each research cycle. Having said that, the data analysis for each research cycle was analysed in relation to the range of constructs from the Commitment-Trust Theory (Morgan and Hunt, 1994) which categorised service incidents and buyer inferences, effects. The body of knowledge on buyer satisfaction was also utilised to record buyer effects in terms of buyer (dis) satisfaction, whilst buyer inferences were recorded under the constructs of dis-confirmation of service expectations and an "other" category to include variables such as relationship equity. The analysis of buyer consequences utilised the constructs of relative attitude and behaviour (Dick and Basu, 1994) and buyer switching behaviour (Keaveney, 1995). An example of the data analysis procedure is shown in the matrix below.

Table 1: A Framework for Data Analysis

Observable Human Activity	**The Critical Service Incident**
An occasion when the buyer was satisfied or dissatisfied (Bitner et al, 1990)	Tennis Coaching
Respondent Quote	*"...this is a fantastic place for kids, both my girls are involved in so many activities... the tennis coaching is very good, the coaches are helpful ...my kids love the coaches they have"*

Construct	**Buyer Inferences**
Termination Costs	
Relationship Benefits	• both my girls are involved in so many activities • the tennis coaching is very good
Share Values	
Communication	
Opportunistic Behaviour	
Service Expectations	
Other	

Construct	**Buyer Effects**
Trust	
Commitment	
Acquiescence	
Propensity to Leave	
Cooperation	
Functional Conflict	
Uncertainty	
Satisfaction	• this is a fantastic place for kids • my kids love the coaches they have

Construct	**Buyer Consequences**
Relative Attitude	• A high relative attitude
Purchase Behaviour	• Continued patronage of the WHC and the tennis coaching service
Switching Behaviour	

3.9.3 Unit of analysis

Roos (2000, p. 194) argues that there needs to be a better understanding of how customer relationships are influenced by critical service incidents, going on to say, that these incidents provide a good basis on which customers evaluate the state of the relationship between themselves and their service provider.

The unit of analysis is essentially the smallest, yet most important element, involved in the analysis of the phenomena. Gunter (2000, p.65) points out that this unit is often determined by *"specific rules and definitions"* to ensure commonality in identification and coding. There have been numerous studies presented in literature that have used the Critical Incident Technique (CIT), promulgated by Flannagan (1954), as the basis for collecting data on service incidents. These have included; Shostack (1985); Bitner et al (1990); Keaveney (1995); Zeithaml and Bitner (1996); Bejou and Plamer (1998); Smith, Bolton and Wagner (1999); Odekerken et al (2000); Edvardsson and Strandvik (2000); Mack, Mueller, Crotts and Broderick (2000) who essentially found that critical service incidents can result in increased or decreased levels of customer satisfaction. It is, therefore, not unreasonable to assume that a positive service incident could produce an inference of service quality by the buyer, and that this will lead to the effect of, say, an increase in the level of customer satisfaction. In a relational sense, this increase in satisfaction may lead to the effect of increased trust and commitment toward the service provider, and produce the outcome of a higher relative attitude and behaviour, and therefore loyalty.

However, variants to the CIT have emerged over time and Edvardsson and Roos (2001, p.261) have sought to provide a comparative framework to consider these variants. The researcher considered these variants and their potential use to this investigation before settling on the most appropriate method from the two pedagogic groups identified by Edvardsson and Roos (2001). Firstly, the researcher considered those traditional methods that are based on *"interviewing, analysing and reporting"* an unusually positive or negative service incident, that is; the Critical Incident Technique (CIT); the Sequential Incident Technique (SIT) and the Sequence Orientated Problem Identification (SOPI) technique which is a development of the SIT, but focuses solely on the negative service incident (Stauss and Weinlich, 1997). The researcher also considered the second group of methods that comprised of two techniques that are behaviourally driven. These were the Criticality Critical Incident Technique (CCIT) and the Switching Path Analysis Technique (SPAT), both of which focused on the behavioural aspects of the relationship in terms of intended behaviour in the ongoing relationship (CCIT) and consequential behaviour in terms of customer switching activity (SPAT) following a service incident. Subsequently, the researcher discounted the behavioural techniques on the basis that they would not have collected attitudinal data from WHC members, and would, therefore, not have provided a balanced view of customer loyalty as presented in Chapter 2.

Therefore, in the first research cycle, the CIT technique was used in order to gather data on the critical incidents reported by members and those experienced or observed by the researcher.

Research cycle two focused on the on-going relationship between the WHC and their members with the intention of understanding how critical service incidents influenced the buyer-seller relationship. The SIT was tested with members, but discounted as they had problems recalling specific service interaction 'processes' and resultant inferences, effects and consequences. The customer's inability to recall what may have been scarce events and subsequent interactive processes was also found in the work of Chandon, Leo and Phillippe (1996). As a result, the CIT technique was also used for research cycle two and in research cycle three with ex-members.

3.9.4 Data analysis procedure

The analysis of data collected through participant observation was typically through the use of field notes taken during visits to the WHC. These included descriptions of non-verbal aspects of social interaction, interpretation of the quality of facilities, and member responses during anecdotal conversations. Delbrige and Kirkpartick (1994) state that these type of field notes should not only report what was said or had happened, but include researcher evaluation and interpretation of the learning that has taken place during the interaction with members, staff and facilities. Cunningham (1993) and Silverman (1993) commend the importance of making field notes in observational studies, but consider the dangers of producing too much data, that often results in the impossible task of sifting through endless data in order to generate some meaningful information. Silverman goes on to say that "*the critical task in qualitative research is not to accumulate all the data you can, but to...get rid of most of the data you accumulate" (p.37).*

The researcher can empathise with this comment as the field notes taken during the initial week or so of the participant observation consisted of too much data and perhaps not enough information. The analytical and reflective process involved the reading and re-reading of field notes; comparing and contrasting various visits, conversations with different members, experiencing different parts of the service provision so that some sense of the data could be made through coding and sorting. This followed the phenomenological doctrine, previously mentioned, which sought to identify *"essences"* in our perception of reality (Merleau-Ponty, 1962, p.7) or *"naturally recurring"* themes (Arnould and Wallendorf, 1994, p.486) that arose from an iterative process of engagement with the research setting, analysis, interpretation and reflection on the data collected.

The approaches suggested by Gordon and Langmaid (1988); Bell (1993); and Miles and Huberman (1994) for the analysis of qualitative data generated from in-depth interviews and group discussion were adopted. Bell (1993) states that the value of producing full transcripts of interviews are questionable in terms of the time taken to produce these documents in relation to the outcomes received, whilst Miles and Huberman (1993, p.246) suggest data reduction can successfully be undertaken in a humanistic way by the *"noting of patterns and themes"* that are collated and analysed in the matrix format that is included in each of the findings chapters. This approach proved particularly useful in terms of time management, and keeping focus, when listening to tape recordings of the conversations with members and management. The notes from the field exercise and in-depth interviews were read, re-read and then read gain in order to identify common and divergent themes in a process of data reduction that Hammersley and Atkinson (1994, p.10) state helps *"sharpens, sorts, focuses discards and organises data in such a way that final conclusions can be drawn".* Once these themes had been identified, a range of coloured pens were used to highlight the most important points in relation to the key constructs identified in Table 1 above, to identify "incidents", "inferences", "effects" and "consequences". For example, one respondent identified the problems of booking an indoor tennis court as an observable human activity (a critical incident), reasoning that there were too many members (an inference-negative dis-confirmation of service expectations) and that he wasn't happy (an effect-buyer dissatisfaction) with getting up at 7am to make a telephone booking. In this example, the researcher made the assessment that the "consequence" of this critical service incident was a lower relative attitude and perhaps a reduction in the future frequency of playing tennis. The final part of the data analysis process involved linking the data to the research questions and objectives and then reflecting on how this compared and contrasted to the concepts identified in the Literature Review. However, the interpretive process in the first cycle of research revealed, in empirical form, the nature of the literature on buyer loyalty, that is, fragmented and providing no one measure of assessing the loyalty of a member of a health and fitness club. The interpretive analysis, therefore, used a number of assessments of loyalty, for example; the loyalty ladder, customer satisfaction, relationship commitment, trust, switching costs, and relative attitude and behaviour.

This process of data reduction around the key relationship variables identified in Table 1 above also gave rise to the notion that the members of the WHC could not be regarded as a homogenous body of buyers, as they reported both different and similar service incidents, and appeared to have different drivers in their relationship with the WHC. At its most basic level, these members could easily be identified and segmented on the basis of a range of socio-demographic variables, such as age, occupation, social grouping, income, and life stage, as noted in the field notes in Appendix 1. For example, one group of members were retired, middle and upper-class buyers. One group of members were middle-aged, middle class housewives with young children playing tennis at the club. Through participant observation, these types of buyer characteristics were relatively straightforward to identify. However, it was only through interaction, discussion and interview with these members, and an iterative process of analysis and reflection across three research cycles, that key buyer-seller relationship drivers (identified in Table 1) were derived that subsequently made segmentation and classification of these members into loyalty types possible. For example, The Old School, were concerned about a lack of shared values, relationship inequity and a lack of trust between themselves and the WHC. Another example that demonstrates a different buyer-seller relationship were the Train & Go members whose commitment to the WHC was more calculative, driven by the relationship benefits, a high level of service satisfaction.

The data analysis for research cycle three used descriptive statistics to identify themes in critical service incidents, and to classify these by membership typology. In addition, the data analysis format presented by Keavney (1995) was used to present the range of service incidents that resulted in simple and complex switching behaviour, and in terms of buyer inferences, effects and consequences. However, it was at the early stages of data collection in research cycle three, that the researcher started to question the data analysis in research cycle one, that lead to the identification of the member groups. This action research inquiry did not involve a reflective process extended to mutually exclusive research cycles, but followed the notion of *"multiple constructions of reality"* (Green and Caulley, 1996, p. 154) that is central to the constructivist paradigm. It was at this point that the researcher started to doubt the analytical process that had lead to the identification of "four" member groups; The Old School, LTA Stars, Keen Amateurs and the Body Beautiful. In discussing ex-member views the researcher noticed that the Body Beautiful members had different, within group, perspectives of the WHC and critical service incidents. At this point, the researcher ceased data collection. It was following a re-evaluation of the data generated in the management group discussion, that it started to become evident that management were also referring to a group of members that the researcher had identified, but, had assigned to the Body Beautiful typology on the basis that there were few differences between these members.

The problem came with the classification of those members from the Train & Go and Body Beautiful typologies. Both groups demonstrated a high relative attitude and high repeat purchase behaviour, however, Train & Go members seemed to go through a process of "frequent" comparison of the WHC service provision against the competitive alternatives. The researcher felt that the Dick and Basu (1994) framework, whilst useful, had short-comings as it did not consider how often these competitive buyer evaluations occurred. One could, therefore, argue that a buyer who made frequent comparisons did not have the same strength in attitude as a buyer who may only make this comparison once a year, perhaps at annual renewal of the membership.

Subsequent to this, the researcher re-evaluated the data from research cycle one and came to the conclusion that the Body Beautiful members could reasonably be segregated on the basis of both demographic and relative attitude-behaviour data. Consequently, the constructivist paradigm of interpretation and re-interpretation of meanings lead to the identification of the Train & Go member typology. As a result, the data collection, for research cycle three, from ex-members, was re-established to include this new group.

3.10.1 A strategy for validating the data

As mentioned earlier, the emphasis of action inquiry is on participation, experiential knowing, interaction with and participation in the research environment. With this significant level of researcher involvement and participation, both epistemological and axiological questions are subsequently raised concerning the relationship of the researcher to phenomena, particularly as a peer consultant and participant observer, and the values that are carried into this investigation, and the subsequent validity of the findings presented. A review of literature concerning the issue of validity in management research showed that a range of strategies and tactics could be used to generate meaningful and trustworthy data; Kirk and Miller (1986); Sykes (1990); Brody (1992); Miles and Huberman, (1994); and Creswell (1998). Whilst considering issues of validity from a positivist or naturalist perspective, the researcher agrees with Silverman

(1994, p.208) who contends that bias can occur with either philosophical approach, and that *"there are no pure data; all data are mediated by our own reasoning as well as that of participants"*. Whilst conventionalists would refute this in their attempt to search for an irrefutable and rational truth, constructionists contend that there is no universal truth in a world of change, paradox, uncertainty and fragmentation. As mentioned previously, the researcher adopted a pragmatic stance in the philosophical approach to this study, and as such, a multi-method research approach in research design was adopted in an attempt to *"establish convergent validity"* (Arnould and Wallendorf, 1994, p. 494). By combining the two paradigms, it was hoped that the findings presented would provide the reader with some confidence, plausibility and credibility in the way the data has been collected and interpreted. This approach was also particularly useful as it attempted to overcome the major criticism of the pragmatic philosophy and action research, that is, that traditional social scientists see it as *"unsystematic, atheoretical storytelling"* Greenwodd and Levin (1998, p.75).

3.10.2 Methods used to validate the data

During the exploration of the influence that critical service incidents had on the buyer-seller relationship, four methods of validation were used. The first approach was conceived in the multi-method research design. It was hoped that a process of triangulation in divergent data sources and collection methods would provide an insight into the ontological question of different perspectives of reality existing for different research participants; Brody (1992); Kirk and Miller (1986); Miles and Huberman (1994). Hammersley (1990) considers this process as a useful method in providing confidence in knowledge, but not certainty, as it attempts to look for ways of resolving disagreements in data and by seeking grounds for common agreement. Creswell (1998) also argues that this approach can improve the quality of data and accuracy of findings from ethnographic methods, such as participant observation. This point proved particularly relevant with regard to the identification and classification of members at the WHC, where there was some disagreement in the data concerning the Body Beautiful and Train & Go members. The second method suggested by Sykes (1990); Silverman (1994); and Miles and Huberman (1994) considers the axiological question of the values of the researcher. These authors suggest that the researcher undertakes a process of reflexivity whereby they, as the instrument of inquiry, provides a "value statement" that includes an open disclosure of their pre-conceptions, assumptions and attitudes about the phenomenon being investigated. This process was undertaken by the researcher, (see Appendix 9), which revealed a rather modernistic approach to the management of critical service incidents. This statement was reviewed by the researcher before the data analysis was conducted and conclusions presented.

The above named authors also believe that, the third method, member checking, is one of the most logical sources of confirming the integrity of findings. This process involves the researcher confirming data with respondents during the interview to ensure that the researcher had not mis-interpreted what had been reported.

The fourth method of validation, independent audit (Brody 1992), was particularly relevant to the joint inquiry process of action research.

This involved presenting and discussing the findings of each research cycle with the management of the WHC, during peer consultancy and Board of Management meetings. Denzin and Lincoln (1998) and Kemmis and McTaggart (2000) believe that this validation process of action, audit, reflection is the discipline through which the researcher is able to detect any bias or subjectivity. This process was particularly relevant in all three research cycles. For example, in research cycle one, the findings were reported and discussed in the monthly Board of Management meeting during which the researcher had to defend some of the points made. In research cycle two, managers were asked to comment on the validity of the member groups and the critical service incidents reported by members. In addition, during research cycle three, the Administration Manager stated that the collection of critical service incidents tended to focus on negative aspects of the service. She cited a member who had written a nice letter to her saying how much she enjoyed the club, yet during the telephone survey the same member said that she was displeased with certain aspects of the service. The Administration Manager questioned the validity of the findings if this sort of discrepancy could occur. Johns (1999, p.964) may provide some insight into this question as he states that many customer based studies of service quality are heavily dependent upon the quality of the questionnaire design. In this instance, the assumptions and questions asked in this research were different to those used in the normal WHC process of investigating a member resignations.

To conclude, every attempt has been made to ensure that the data collected, analysed and presented in this thesis is credible, trustworthy and valid.

Whilst purists from the positivist and naturalist paradigms would negate the validity of the multi-method approach, this action research inquiry has sided with the pragmatist philosophy of theoretical imperfection in methodological design. This research was conducted in the context of real time pressures, and with the express purpose of providing insight into the critical service incidents that members of the WHC had reported.

3.11.1 Was research conducted ethically?

As a starting point to answer this question, Murphy and Dingwall (2001, p.339) provided a useful starting point to consider the ethics of management research by discussing the consequentialist (outcomes based) and deontological (rights) perspectives of research practice. Hammersley and Atkinson (1995, p.263-275) also considered these broad perspectives in more detail and ask researchers to consider the following consequentialist questions; Were any participants harmed by the research or the findings? Would future research be affected by the activities of the current research? They also asked researchers to consider the following deontological questions in relation to the rights of research participants; Was informed consent provided? Was the privacy of participants infringed? Were the participants exploited?

The research design utilised a range of methods over the three cycles of research, of these, certainly the most obvious ethical question related to the use of participant observation in research cycle one.

Whilst the use of this method usually raises serious epistemological and methodological questions, the review of research literature pertaining to this method highlighted a hotly contested area, with much debate centred around researcher subjectivity, impressionism, bias and research outputs that are often idiosyncratic descriptions of the phenomena being investigated. However, perhaps just as important to the epistemological and methodological debate regarding this research method, is that of the ethical considerations pertaining to the collection and use of data from research participants. As mentioned in the previous discussion 3.5.2, the researcher was a participant observer during the first phase of the research. However, what has not been fully discussed was that the researcher was conducting his activities in a covert nature and was, therefore, initially considered by some managers and staff at the WHC as a spy operating on behalf of the Chief Executive. Whilst this wasn't the intention of either the researcher nor the Chief Executive, the purpose of the researcher being treated as a "normal" member of the WHC during research cycle one had to a certain extent backfired. When making arrangements for the management group discussion, the Chief Executive had given instructions to his PA to arrange a management meeting with a member of Bournemouth University, who had been conducting a "mystery shopping" exercise at the WHC over the previous three months. In arranging a convenient time for the meeting, the Chief Executive's PA let it be known that the management team were not impressed about being kept in the dark about the research. Indeed, they wanted to know the findings of the research, and if possible, prior to the Chief Executive returning from holiday. With this amount of management upset within the organisation and the lack of an opportunity for members to consent to the research, one must, therefore, question the ethical nature of covert participant observation as a means of data collection in this research cycle.

The researcher has reflected on the questions raised by Hamersley and Atkinson (1995) and Murphy and Dingwall (2001) and believes that the covert nature of the research in cycle one did not result in serious consequences, nor significantly infringe on the rights of participants in a meaningful way. Indeed, one of the main thrusts of the research was to help management of the WHC understand the nature of the critical service incidents being reported by members, and to introduce initiatives that would deliver better service provision, reduce the number of service incidents, and ultimately ensure longevity in the buyer-seller relationship. The outcome of this research would, therefore, provide a benefit to the management, staff and members of the club.

A previous attempt at conducting the research was curtailed when the host company withdrew access and support for the research. Thereafter, the search for a new host was time-consuming and resulted in the window of opportunity to engage in the first cycle of research being limited. As a result, pragmatism tended to dominate the development of the first stage of this thesis as it was a case of get the job done and move on quickly. The researcher believes that the covert nature of the participant observation may have initially contributed to a less trusting environment in which to gather data during the second research cycle. However, this issue did not appear to remain for long as managers actively engaged in the action research process and made positive contributions to data collection. The question of whether covert participant observation is ethical needed to be considered in the context of this study. Bearing in mind that there is a substantial amount of literature in support of this method, and it continues to receive contemporary support from the likes of Warren and Tweedle (2002, p.212) who actively promote its use, the researcher believes that the research was conducted in an ethical manner by applying the consequentialist and deontological considerations to this research method.

Chapter 4: Research cycle one findings – exploring the service environment and naturally recurring critical service incidents

"At the end of the day, if membership numbers remain high, then things must be going well...customer service is a secondary issue".

Chief Executive, research cycle one, 23rd March 2001.

4.1 Overview

This chapter presents the findings from the first cycle of research and provides an analysis of the service environment and those naturally recurring service incidents that were observed and experienced by the researcher, or reported by members of the WHC during the course of the participant observation.

The process of data analysis was discussed in 3.9.2-4, which stated that these findings were the result of the researcher's interpretive and reflective process involving the naturally recurring themes that occurred during this first cycle of action inquiry. More specifically, the data analysis process involved; transcribing the field notes, interpreting and reflecting on these observations in order to determine the essence of the data collected. The next stage in the process was to interpret the data in relation to; the nature of the critical service incidents being observed, experienced or reported; the buyer-seller relationship constructs identified in 3.9.2 and a consideration of their loyalty profile in relation to the loyalty ladder discussed in 2.5.2.

However, during this first cycle of research, the conceptual framework discussed in 2.7.1, was not used in a rigid sense, rather as a platform on which to start the action inquiry process and as a means to explore, clarify and understand the service environment and recurring service incidents. In this way, the data generated from participant observation has provided the researcher with a fundamental understanding of members, management, staff, and everyday events that characterise the buyer-seller relationship and the critical service incident.

The findings of this chapter will demonstrate that the recurring themes in the critical service incidents observed, experienced by the researcher, or, reported by members converged a few key themes. These themes characterised the service environment and organisational culture as being in a state of flux, and that a change in the strategic direction of the WHC had caused capacity management problems, and tension and rifts between the different member groups. Whilst it was possible to identify specific critical service incidents during this phase of the research, the covert nature of the research, and the anecdotal responses from members in discussion with the researcher, meant that the findings with regard to the linking of inferences, effects and consequences, often remained incomplete. However, this was not too unsatisfactory as the aim of the first cycle of research was to explore the service setting and those naturally recurring service incidents, whilst research cycle two addressed the influence of the critical service incident on the buyer-seller relationship in more detail.

4.2 Exploring the service environment

A primary objective of the first research cycle was to explore and gain insight into the natural setting by experiencing the services offered by the WHC. The term "exploration" was rather appropriate as the service setting at first, seemed quite daunting for the researcher. This uncertainty was due to being in an environment that was completely new, so it was difficult for the researcher to distinguish between what was, or was not, important in terms of data collection. However, after a few visits, certain patterns arose from observation, interaction with the facilities, the staff, and discussion with members. One of the most significant findings from the participant observation, was the identification of five primary membership groups that were subsequently named as; The Old School, Keen Amateurs, Train & Go, Body Beautiful, and LTA Stars. As mentioned above, the constructs used to consider these groups were primarily provided by the Commitment-Trust Theory (Morgan and Hunt, 1994) and the Loyalty Ladder (Christopher et al, 1991) which was also particularly useful in identifying differences and similarities in members of the WHC. In addition to these variables, other demographic constructs, such as age and socio-economic groups, as identified in Hillsdon's (2001) research, helped with the identification of different member groups.

4.2.1 The old school

This group of people had been members, guardians and managers of the old, private members, West Hants Lawn Tennis Club (WHLTC) before the purchase of the lease and present running of the club by the Lawn Tennis Association (LTA).

The old WHLTC had approximately 2,000 members prior to April 1999 when the new WHC opened. Many of these members were local residents who had retired (or were nearing retirement) from traditional professional occupations such as law, accountancy, medicine or commissioned officers in the armed forces. Many of these members had played tennis for well over 25 years in a rather quaint and exclusive club, that had been built on the traditions of an upper class clientele who believed in player etiquette, an all whites playing dress code, a sense of fair play and tennis being a game for gentleman.

During observation and discussion with these members, it became apparent that this group were dissatisfied with the way "their" club was being run by the LTA and had serious concerns about whether to continue with their membership or move to another service provider. Their concerns revolved around "their" club moving from being a "members club" to a "leisure business". Essentially, they did not share the same beliefs, values and goals that Morgan and Hunt (1994) state is a necessary construct for the development of a trusting and cooperative relationship. As the previous guardians, they had been involved in all aspects of the running of the club, but were now by-standers without a voice in the way "their" club should be run. As such, these members felt angry, isolated, and to a degree, betrayed by the LTA. Rowley and Dawes (2000) describe these type of members as "Disturbed Loyals" who suffer from confusion in their loyalty status as a result of being let down by the new club. Subsequently, they were less committed to maintaining the relationship, supporting the proposition of Bejou and Palmer (1998) and Wilson (1995) who stated that a lack of relationship commitment is likely to result in members assessing their future loyalty towards the club. This lack of commitment by The Old School, towards maintaining the relationship was indicated in the dwindling number of members in this group to around 300. This wide spread feeling of mis-aligned values between The Old School and the WHC is represented in the following respondent statements. The first statement refers to what they considered to be an ageism policy at the club, suggesting that the service provision was directed at satisfying the needs of those young players at the club, who were being developed and trained to become the future stars of British tennis. Consequently, those older members felt that they were largely being neglected;

"...the trouble is that the club doesn't make you feel welcome if you're over 40 (years) ***(negative inference - shared values)****..they just don't seem to care* ***(negative effect - uncertainty)****".*

Male, over 65yrs, The Old School, member for 22 years.

Participant observation 1

The Old School members often referred to what could be perceived as the general service qualities or attributes of the new club, citing service incidents that reflected a decreasing opportunity to take part in their gentlemans past time. This was because the influx of new members had resulted in near full capacity, and consequently, the opportunity to play tennis was being reduced by these new members and the young performance LTA members receiving professional coaching. This supports the work of Keavney (1995); de Ruyter et al (1998); Johns (1999); and Odekerken-Schroder et al (2000) who found that buyers could differentiate between core service dimensions and quality, and specific service incidents in their assessment of service satisfaction.

This general dissatisfaction of the service provision is represented in the following member statements;

"If you are a full member and over 50 (years) at this club, nobody wants to know ***(negative inference – shared values)****...I like the Chief Executive as a man....but all he thinks about is business* ***(negative inference – shared values)****, and he forgets that it's the members who count around here...loyalty works both ways!".*

Male, over 60years, The Old School, member for 15 years.

Participant observation 1

"...the trouble is that the clay courts aren't that good ***(negative inference - disconfirmation of service expectations)****, so when there's a tournament, we cant use the indoor courts* ***(negative incident)*** *because the (tournament) players get priority and it doesn't seem fair...****(negative inference - inequity)****".*

Male, over 60 years, The Old School, member for 22 years.

Participant observation 6

In addition to this, the primary data found that a small pressure group of 16 people, from The Old School, had been formed as they were so dissatisfied with the service provision and the focus on generating new business in an increasingly youth orientated club. They were concerned that their "members club" had been replaced by a business approach, where the members' interests were considered to be of secondary importance compared to profitability and they had subsequently confronted the Chief Executive threatening to leave the club.

This perceived inequity in the relationship, a mis-alignment in shared values (Morgan and Hunt, 1994), a lack of trust (Coulson, 1998) and commitment (Moorman et al, 1992) between themselves and the club, would as Ganesan (1994) and McDonald (1999) found, normally result in the relationship being terminated on behalf of the "loser" (Szmigin and Bourne, 1998). The loser would then seek a new relationship with a new service provider who could equitably meet their needs and expectations. In this case, the losers were The Old School, which was signified by the large number of members who had left the new WHC.

However, there still remained a notable number of these members who continued to frequent the club. The reason why they continued to do so can be found in the work presented by Seth and Parvatiyer (1995); Bitner (1995); Bagozzi (1995); and Lee and Cunningham (2001) who found that buyers often engaged in relationships with sellers in order to reduce choice, stress and inconvenience. Whilst there was no specific evidence to support this body of work, the essence of participant observation is to gain an understanding of the phenomena being investigated, as such the data is often "soft" (Seymour, 1988), reflective and impressionistic and is considered in terms of likelihood and face validity. It may therefore be reasonable to assume that the remaining 300 members in this group had some reason for staying. These members would have had an insignificant level of monetary costs involved in terminating the relationship, but are likely to have had significant intangible costs (emotional involvement, convenience, choice reduction) involved in relationship termination, as suggested by the authors above.

This type of relationship supports the work of White and Schneider (2000) who posit that buyers often maintain relationships because they feel that they have little or no alternative and as such the relationship becomes "constraint based", rather than actively wanting to engage in a fruitful and mutually beneficial partnership.The benefits of maintaining the relationship, would therefore, appear to be minimal for The Old School members. The buyer-seller relationship appeared to be ailing, supporting the argument that trust can still be found, even in impotent relationships (Seth and Parvatiyer, 1995; Bagozzi, 1995; and Bitner, 1995). Maintenance of this type of buyer-seller relationship is, as Zins (2001) found, driven by more calculative commitment, rather than a desire to continue with a mutually satisfying relationship.

4.2.2 Keen amateurs

These members were typically younger than the previous group, aged between 30 and 50 years. They had played tennis competitively, as a junior and senior, at club or county level and still enjoyed a game of semi-competitive tennis within the club and at local or national inter-club leagues. Again, these members were middle-class, well educated, and working in professional occupations. Many of these members had been with the old WHLTC, so had experienced the old and new regimes. They also enjoyed the social side of the club, more than any other group, taking part in discos, quiz nights and enjoyed a drink in the bar after a game of tennis. This provided an opportunity for them to invite social (non-member) guests to the WHC, therefore acting as "advocates" for the club, by spreading positive word of mouth communication to friends and family.

The profile of this type of buyer was reminiscent of the dedication based relationship of White and Schneider (2000) where they are actively motivated to maintaining the partnership, probably due to the alignment of values (Morgan and Hunt, 1994) between themselves and the club. The work of Christopher et al, (1991) also provides a useful insight into this type of buyer as they suggest that a move up the loyalty ladder may have been due to increased levels of buyer satisfaction as the new club had far exceeded their expectations of service provision. This process could well have been aided by positive service incidents leading to increased levels of satisfaction and higher levels of buyer loyalty. These findings also support the work of Andreassen and Lindestad (1998) who found that positive disconfirmation of service expectations leads to higher levels of buyer satisfaction. However, these findings conflict with those of Anderson and Sullivan (1993) and Mittal and Lassar (1998) who posit that this positive disconfirmation of service expectations didn't necessarily lead to higher levels of buyer satisfaction. In this case, the primary research findings propose that a positive disconfirmation of service expectations has lead to higher levels of service satisfaction, moving the Keen Amateurs from mere customers to advocates of the WHC.

Another example of the Keen Amateurs acting as advocates for the WHC was when the researcher attended one of the twice weekly "club nights". This activity was time-tabled specifically into the tennis programme, to provide a forum for tennis players to meet up and play the game in a friendly and relaxed atmosphere, where players had exclusive use of the indoor courts, playing short matches in mixed ability groups arranged by the coaching staff.

On the night in question, the researcher was made very welcome by a group of around 40 members. They were friendly, pleasant and provided a lot of encouragement as he had not played tennis for over 15 years. Whilst some of the players wanted to have longer games and were a little upset about having to wait so long in between games, they were generally positive about the experience. They suggested that as a recently joined member, the researcher should come to club night every week and that as the research had said his wife played tennis, he should get his wife to join the club. This finding supports developmental work on the loyalty ladder by White and Schneider (2000) and Yoon and Kim (2000) who found that advocates often demonstrate commitment behaviour that can manifest itself by members talking about the organisation in a positive way to a new member. The commitment of the Keen Amateurs to their relationship with the WHC was best summed up by the following member quotation;

*"...club night is good **(positive inference – relationship benefit)** because you don't have to book up and go through all the hassle of getting a court...I turn up, they (staff) organise the play and I go for a drink after...**(positive effect – satisfaction)**".*

Female, late 30's, Keen Amateur

Participant observation 12

The Keen Amateurs, whilst not completely happy with the change in the service provision, looked more towards the relationship benefits (Morgan and Hunt, 1994) that the LTA's investment had brought them; a state of the art tennis, health and fitness facility.

This evaluation of past and present service provision is indicative of the experiential trust, promulgated by Coulson (1998), where members developed a positive attitude, characterised by increasing levels of trust and commitment to the relationship, through positive service incidents. In this case, the Keen Amateurs could recall the quaint, but dilapidated tennis facilities of the old club, and the debt that went with it. Whilst they had lost a degree of autonomy in the way the new club was being run, they could see the benefits of having superb facilities backed up with financial investment and professional management of the facility brought by the LTA. Indeed, many of these members had traveled up to 100 miles, in a round trip journey, just so they could attend the clubs weekly tennis night, preferring to use superior facilities and services compared to the competitive alternatives in their immediate vicinity.

4.2.3 Train & go

This group consisted primarily of members who were aged 16-24 years and consisted of students and employed people in working class occupations, who joined the WHC for the new health and fitness facilities (gym, aerobics, swimming pool, sauna). During the participant observation it was noticeable to see that these members exercised in the gym three or four times a week, usually in small cooperative groups. After their exercise they left the club, almost immediately, not stopping to have a drink in the bar or to socialise with other members. This group seemed to be the most mercurial, as they would talk about moving from one service provider to another, with little signs of seeking to maintain a long-term relationship.

This may be because they perceived the club to be a leisure facility rather than a tennis club, therefore, they had more choice of service providers. This group were reminiscent of the consumer profile that that Hillsdon (2001) found in his extensive survey of health club members. In particular, he stated that this group are the least loyal health club members as they were mobile due to a lack of family and work commitments. He also found them demanding in terms of price and wanting up to date facilities. These "customers" (Christopher et al, 1991), did not appear to interact with other members and didn't appear to complain much about the service provision to management, so long as they had access to quality exercise equipment. This sense of being isolated from the other members and the positive attitude toward the club is represented in the following respondent statements;

*"...the club is fantastic because most of the people here play tennis **(positive inference – relationship benefit)**, which leaves the gym and the pool nearly empty **(positive effect – satisfaction)**"*

Male, early 20's, Train & Go, member for 2 years

Participant observation 5

*"...the gym equipment is good **(positive inference – relationship benefit)**, its new and its clean and there aren't that many people around...**(positive effect – satisfaction)**".*

Female, middle 20's, Train & Go

Participant observation 10

4.2.4 Body beautiful

This group consisted of members in the 30-50 year old range, either from professional occupations or middle-class housewives. This group of people had one thing in common, the search for a beautiful body. This search though had to be conducted in fashionable surroundings with clean, high quality facilities and the support of professional training advisors. The group were mainly composed of women who were engaged in the "lifestyle" of health and fitness. They comprised of professional women who would enjoy a vigorous aerobics workout, followed by a sauna and a healthy low calorie snack or meal in the restaurant. This group were also made up of middle-aged, middle-class housewives, some of whom would undertake gentle exercise with a personal trainer, followed by a relaxing swim and sauna before either picking the kids up from school or their tennis coaching lesson.

These members appeared to be attracted to the relationship benefits (Morgan and Hunt, 1994) in the form of the new health and fitness facilities and the opportunity to boast to friends about their membership of what had become, the most fashionable place in town to work out and relax. White and Schneider (2000) and Yoon and Kim (2000) believe that this consideration of competitive alternatives and a willingness to talk to friends and family about the service provision demonstrate a positive psychological attitude towards the seller. Furthermore, Zins (2001) posits, that this psychological attachment acts as a distinguishing factor between true and spurious loyalty, which supports Hillsdon (2001) whose findings suggest that family and professional members are the most loyal members across the UK health and fitness industry.

The positive attitude of the Body Beautiful group, toward the WHC, was summed up by the respondent quote below. It happened during a conversation in the steam room, with a female member who had 2 young children. She said that;

*"...this place is fantastic **(positive effect – satisfaction)**, the facilities are really good **(positive inference – relationship benefit)**...there's lots to do for kids **(positive inference – relationship benefit)**, its really sociable and there's a great atmosphere...**(positive inference – shared values)**".*

Female, over 30 years, Body Beautiful.

Participant observation 9

It was clear that this group were satisfied with the club and were using the facilities on a regular basis. However, these members were also able to converse about other service providers in the local area, and whilst they were highly satisfied with the WHC, it may only be a matter of time before they sought out new and improved facilities from other service providers. Whilst they appeared to demonstrate a commitment to the WHC, this may well be short-lived and they may not, as Morgan and Hunt (1994) state, be able to resist the short-terms competitive offers promoted by other service providers. Consequently these members were considered to be "supporters" on the loyalty ladder (Christopher et al, 1991).

4.2.5 LTA stars

As mentioned in the methodology chapter, this group were not chosen for in-depth interview in research cycle two, due to the restrictions on interviewing under 14 year olds and the time element in obtaining parental consent. The stance of not directly approaching children was also upheld during the participant observer. However, the field notes taken during this phase of the research reflect that the WHC is significantly focused on the provision and development of both recreational and competitive tennis for children. This manifests itself in an impressive range of relationship benefits (Morgan and Hunt, 1994) including; professional coaching, in-club and inter-club league matches, local, regional, national and international tennis tournaments, international quality playing surfaces, and the provision of equipment, travel and financial support for the most talented group of youngsters. The driving force behind this provision are the LTA who are attempting to raise the profile and standard of competitive tennis in the UK, through strategic direction, widening access, participation initiatives and financial support. It was noticeable during observation that these young, up and coming tennis players, certainly demonstrated the behavioural aspects (purchase) of buyer loyalty, proposed by Seth and Paravatiyer (1995) and Bagozzi (1995), with regular attendance at formal and informal tennis sessions. The positive attitude toward the club was also evident, as these young members always looked to be enjoying their visits to the WHC. As such, the researcher considered these members to be more than satisfied with the service provision at the club, and whilst service incidents could not be accessed from this group of members, the researcher considered them to be advocates of the club.

4.3.1 Identifying the naturally recurring critical service incidents

The participant observation undertaken in first research cycle provided an opportunity to investigate the general service environment and to produce an interesting vignette of "village life" (Silverman, 1993) at the WHC. The findings indicated that there were four themes of naturally recurring service incidents that were causing some concern amongst members; the new strategic direction of the WHC, the club operating at near capacity, tensions between membership groups, and the member-management/staff communication. The first group of critical service incidents (observable human activities) related to the strategic direction of the club and the shared values between buyer and seller. It appeared that The Old School members, the previous guardians of the old club were concerned that the involvement of the LTA had effectively destroyed their "members club" in two ways. The WHC had recruited an enormous number of new members and the old club had been replaced by a sports centre business that had attracted custom from a range of social classes, most of whom were not interested in tennis or the heritage of the old West Hants Lawn Tennis Club. The field notes reflect that the word "member" was rarely used at the WHC in signs, notices and literature, almost as if the term had been prohibited. The move from the old members club to the new business has been summed up by the following member quotation;

"There has been a change in culture in the way the club is run...its more of a business now..."

Male, Over 60 years, The Old School, member for 15 years

Participant observation 1

In many ways the conflict between these members groups and the management and staff, was reminiscent of the writings of the 15th century political philosopher Machiavelli. In his renowned book, *The Prince,* he acknowledged the problems of managing "composite states", where an old principality had been taken over by a new ruler who tried to inforce new laws, customs, and taxes to ensure that they matched those of his existing principality. He went on to say that in these cases, composite principalities present enormous difficulties, and to manage them effectively, one needs to be not only fortunate, but, hardworking to ensure control of the new dominion. This anecdote is particularly poignant for The Old School members, who had seen their previous principality taken over by an all powerful organisation, the LTA, that had changed many things at the club. As in Machiavelli's time, these difficult changes and a loss of power, had resulted in some members migrating to other principalities (service providers), whilst others stayed on as resistance fighters in the hope of over throwing the incumbent rulers.

The knock-on effect of this change in strategic direction has resulted in the second group of service incidents. These related to capacity management problems as a result of having an influx of new members. The Old School members also felt that this problem had been compounded by the LTA whose focus on the provision of youth tennis resulted in fewer opportunities for them to play tennis, thus causing them a significant degree of frustration. This widespread feeling of confusion and inequity in the service provision and the strains that the new members had put on the facilities is represented in the following quotation;

"...when there's a tournament, we can't use the indoor courts because the (tournament) players get priority and it doesn't seem fair...".

Male, over 60 years, The Old School, member for 22 years

Participant observation 6

This problem, recognised by members, in the general attributes (Odekerken-Schroder et al, 2000) of the service provision, also resulted in the third group of critical service incidents, which was, conflict between the member groups. There were clear tensions demonstrated between The Old School and all other membership groups, but, particularly with the Keen Amateurs. There may have been more deep-seated reasons for the conflict between these groups, but these were not made explicit by members during the participant observation period. On reflection, the tensions could have been created by The Old School belief that the Keen Amateurs had "sold out" to the LTA, and should as previous members of the club have fought harder to resist the changes being made to "the members club". In contrast the Keen Amateurs, who appeared to have been more accepting of, and adaptive to the change, believed that The Old School members were unrealistic to expect that there would be no change in the club following the significant involvement and the millions of pounds invested by the LTA. They suggested that The Old School were becoming increasingly isolated by harbouring such unrealistic service expectations.

This is represented in the following member quotation;

"...It's basically the old members that moan and complain about the way their club has become".

Male, 50 years, Keen Amateur

Participant observation 6

The tensions between other member groups and The Old School, are also demonstrated in the following quotation;

"...the older members don't make you feel welcome here...they make it quite obvious that they don't like students...its sort of funny in one way, but I suppose we have to live with it.".

Male, 20 years, Train & Go

Participant observation 9

The next group of critical service incidents to manifest itself during the participant observation, was that of the poor communication between members, management and staff of the club. Again, the field notes reflect the frustration of the researcher to gain any form of response from reception staff on entering and exiting the premises. The staff appeared to actively ignore members coming in and out of the building and did not have the necessary social skills to engage with them. This finding supports the view of Morgan and Hunt (1994) who posit that a lack of communication can lead to decreasing levels of trust.

One member substantiated this point, commenting that;

"...the people at Reception are a funny lot, as soon as you walk in they put their heads down...a couple of months ago someone must have told them about this, because for a week they would say 'hello how are you?'. But now its back to normal...".

Male, late 30's, Keen Amateur

Participant observation 12

Another member stated that he was unhappy with the way management ignored member requests. He cited the occasion when he had been 20 minutes late for the Annual Members Meeting, and had therefore, asked the Chief Executive for a copy of the minutes for the meeting. Five weeks later he had still not received them. He went on to say that;

"...the club regard me as a troublemaker and probably have my picture on a dart board somewhere".

Male, over 40 years, Keen Amateur

Participant observation 6

4.4 How are the member groups different?

Whilst the existing literature relating to the service incident, both in a services marketing and relationship marketing sense, does not consider the notion that different types of buyers may react differently to the influence of both positive and negative service incidents. One of the primary questions that this research sought to address was this limitation in existing literature, in the belief that not all buyers can be treated the same by sellers, and that not all buyers will react the same to the influence of the critical service incident. An outcome of the participant observation research in cycle one, was that the membership base was composed of different groups of buyers. This provided an ideal opportunity for the researcher to consider these different groups, in a relational sense, and whether; some relationship constructs were more important than others; the incidents reported were (dis)similar between the groups; the incidents reported created (dis)similar buyer inferences, effects and consequences. The findings of this analysis are presented in Table 2 below, which identifies the member groups, the key themes in the critical service incidents reported, the key drivers in the relationship between buyer and seller, and a consideration of the loyalty profile of the member groups.

Table 2: Critical Service Incidents and the buyer-seller relationship

Critical Service Incident Group	**The Old School**	**Keen Amateurs**	**Body Beautiful**	**Train & Go**	**LTA Stars**
Strategic Direction of WHC	Fundamental disagreement	Accepted	Agreed	Agreed	Agreed
Capacity Problems	Major problem	Minor problem			
Member Group Conflict	Yes	Yes	Yes	Yes	
Buyer-seller Communication	Poor	Poor			

Buyer Inferences					
Termination Costs	Intangible, but significant	Intangible, not significant	None	None	None
Relationship Benefits	Diminished due to the LTA	Increased due to first class facilities	First class facilities/ fashionable	First class facilities	First class facilities/ funding
Share Values	Mis-aligned	Now aligned	Aligned	Aligned	Aligned
Communication	Poor	Poor			
Opportunistic Behaviour	Yes	No	No	No	
Service Expectations	Negatively Disconfirmed	Positively Disconfirmed			
Other	Inequity				

Buyer Effects					
Trust	Destroyed	Experiential	Calculative	Calculative	Calculative
Commitment	Calculative	Long-term	Medium-term	Short-term	Short-term
Acquiescence					
Propensity to Leave	High	Low	Medium	High	Medium
Cooperation	Low	High	High	High	Medium
Functional Conflict	Dysfunctional	Functional			
Uncertainty	High	Low	Low	Low	
Satisfaction	Low	Culmulative	High	High	High

Buyer Consequences					
Loyalty Profile	Client/ Disturbed	Advocates	Supporter	Customer	Supporter
Switching Behaviour	High	Low	Medium	High	Medium

4.5 Presenting, discussing and reflecting on the findings

The methodology chapter acknowledges the strengths and weaknesses of participant observations as a research method. Whilst it can provide insight into the initial and exploratory stages of an action inquiry project, it can also be impressionistic and incorrect. Acknowledging the latter point and the interactive nature of action research, the above analysis was presented in the first instance to the Chief Executive and then to the Board of Management. Both audiences were asked to critique the data analysis and findings, and with the exception of one member group, they validated these findings. The member group that provided a minor dispute were the LTA Stars. The management felt that whilst they had a positive attitude towards the club, they were more calculative in their approach to membership. They believed that the LTA Stars had highly strung personalities, and as such, they would often threaten to move to an alternative service provider if the WHC could not deliver access to first class facilities and develop their prodigious talent.

The Chief Executive and his management team stated that they had not thought, in-depth, about their members being more or less loyal, or that critical service incidents could have an influence on a member's relationship with the club. Over the previous two years, they had been more concerned with growing the business and managing the ongoing conflict between their members, and between The Old School and themselves. The reflections on the data collected in the first cycle of research, combined with discussion with the WHC management team, produced derivative assessments of the member groups and the nature of their relationship with the WHC.

Chapter 5: Research cycle two findings - exploring buyer and seller perspectives

"After today's meeting we have to change our management strategy. We have been concerned with growing the business for the past two years, and we now have to focus on customer retention and delivery of a quality service".

Chief Executive, research cycle 2, 7th September 2001.

5.1 Overview

The aim of the first cycle of research was to explore and gain insight into the service setting and to identify the naturally recurring critical service incidents at the WHC. However, as Argyris (1995, p.163) points out, the findings from ethnographic research can often be impressionable and inaccurate, so there was a very real need in the second research cycle to be more conspicuous in the exploration of the influence of the critical service incident on the buyer-seller relationship. This chapter will present the findings from in-depth interviews with members of the WHC and compare them with the views of the club's management team. Interestingly, many of the critical service incident themes, presented in the findings for research cycle one, were specifically identified by members in research cycle two as being problematic, that was, issues concerning; facility capacity, member-management/staff communication, and the conflict between different member groups. The only that theme that didn't manifest itself, in an overt way, was the strategic direction of the club. This may well be because the respondents had considered this issue under the theme of member conflict, yet the researcher separated this point out as part of the interpretive process of data analysis following the participant observation.

This chapter will also present the previously identified member groups in a more consolidated fashion, moving them from mere groups of members to a typological consideration of their relative attitude and behaviour, in an attempt to consider the influence of the critical service incident on 'types' of buyers. These findings will also demonstrate that the management group had on-going problems with the diverse range of separatist member groups, and that they considered the critical service incident as an isolated occurrence outside the remit of the general service provision. Finally, this chapter presents the findings from an investigation into the part of the conceptual framework that deals with the buyer-seller relationship and whether critical service incidents have influenced buyers in such a way as to produce resulting inferences, effects and consequences of being more or less loyal following a service incident.

Once again, the construct used to identify a critical service incident was, as Flannagan (1954) stated, "any observable human activity" that resulted in buyer inferences, effects and consequences, as discussed in 2.2. The constructs used to analyse the buyer-seller relationship were those previously identified in 3.9.2. However, an additional consideration of the buyer consequence to the service incident meant that the constructs of relative attitude and repeat patronage were derived from the relative attitude-behaviour model (Dick and Basu, 1994). The constructs used to identify a member's relative strength of attitude toward the WHC were considered as a composite of variables including; their satisfaction with the service incident, disconfirmation of their service expectations, perceptions of effective service recovery, the nature of their switching costs and the comparison of competitive alternatives. As for repeat patronage, the number of times a member visited normally visited the club in a month was used to determine their purchase behaviour.

An example of this data analysis process would be; a Duty Manager of the WHC had taken the time to help a member find a lost locker key, after a visit to the swimming pool. They had shown concern to the member, and promptly asked other staff to search for the missing key. In the meantime, they had also asked for a member of the maintenance staff to use a master key to open the member's locker to ensure that they did not get cold in the meantime. In this example, the member perceives the lost key as an incident, an observable human activity. The action by the Duty Manager may have produced a member inference of the WHC staff as being caring, prompt and professional. The effect of this incident could, in turn, lead to the member being satisfied with their experience, more trusting of staff, and more committed to maintaining the relationship. The consequences of this incident may lead the member to have a higher relative attitude toward the club and be more encouraged to visit the facility more often, that is a higher relative attitude and behaviour. An example of the data analysis procedure in terms of the critical service incident and the resulting buyer inferences, effects and consequences has been presented in Table 1 in the chapter on methodology.

5.2 Exploring member views of whether a critical service incident had influenced their relationship with WHC.

As described in the methodology chapter, the essence of the Bitner et al (1990) format of investigating critical service incidents was followed. This approach was primarily concerned with asking respondents to *'think about an occasion when they were satisfied or dissatisfied'* with the service provision, and asking them to consider this occasion influenced their relationship with the WHC. With the exception of the LTA Stars, all other member groups were included in this cycle of research, and whilst respondents could recall specific service incidents, these on the whole, tended toward focussing on the negative aspects of service provision.

5.2.1 Considering the positive critical service incident

One of the most striking facets of the primary data was how committed members, from all groups, were to maintaining their relationship with the WHC, even though they reported a range of mainly negative critical service incidents during the interview. At face value, this tends to support the work of Bitner (1991); Sheth and Parvatiyar (1995); and Baggozzi (1995) who found that buyers remained committed to the relationship due to the tangible (monetary) and intangible (anxiety, uncertainty, breaking social bonds) costs of switching to another seller. However, whilst the influence of termination costs played their part, this relational commitment was also due to the relationship benefits they received in the form of first class sporting facilities, social events and coaching staff. The Old School respondents did not really comment on these relationship benefits, and yet, appeared remarkably committed to maintaining the relationship, even in a service environment where they had felt out of place as a result of not sharing the same value system as the new regime. They had subsequently promulgated the problems associated with the composite state that Machiavelli described, and as such, felt that their loss of control and sense of inequity in the relationship had left them powerless, confused and sensing that their relationship with the WHC was not an unadulterated one.

There were a range of positive critical service incidents, mentioned by the respondents, that they considered to be satisfying, ranging from; eating in the restaurant, attending social functions with live music, and interactions with tennis coaching staff. In all instances, these positive service incidents produced buyer inferences and effects that were clearly identifiable and produced reasonable researcher interpretations as to the buyer consequences in terms of loyalty traits. For example, the following respondent comment demonstrates that having identified club night as a positive and satisfying service incident, the buyer inference was that this observable human activity was well organised and produced a positive buyer effect in terms of them being satisfied. It could, therefore, reasonably be assumed that there had subsequently been a positive buyer consequence, that was, a member whose attitude toward the WHC had been strengthened, or re-in forced, to the extent that they had or maintained a strong attitude and a high relative attitude, and would, therefore, remain loyal. This is represented in the following respondent quote;

"...club night **(positive incident)** *is good* **(positive effect-satisfaction)** *because there's no pressure in getting a court, you just come down, its all organised* **(positive inference-relationship benefit)** *and you play (tennis)...I said to my friend the other day, I'd be gutted it I had to leave the club)* **(positive consequence-strong attitude)"** .

Jill, Keen Amateur, In-depth interview

Another example of a positive service incident resulting in positive buyer inference, effect and consequential outcome can be seen in the respondent quote below. Here, the member described the tennis coaching at the club as an observable human activity that could be considered as a series of positive processes, in the way Zeithaml and Bitner (1996) described in their service incident cascade. This service incident had lead her to infer that the WHC were providing a quality service, that has had a positive effect on her and her children in terms of satisfaction. This is represented in the following respondent quotation;

"...this is a fantastic place for kids **(positive effect-satisfaction),** *both my girls are involved in so many activities* **(positive inference-relationship benefits), ...** *the tennis coaching* **(positive incident)** *is very good* **(positive inference-relationship benefits),** *the coaches are helpful ...my kids love the coaches they have"* **(positive effect-satisfaction).**

Liz, Body Beautiful, In-depth interview

Again, it is not unreasonable to assume that this positive service incident with the tennis coaching and coaches can be considered as a satisfying series of incidents. This observable human activity had ultimately produced a consequential loyalty outcome that had been driven by member satisfaction leading to a high relative attitude, backed up by frequent repeat purchase. This finding supports the buyer satisfaction equals buyer loyalty equation promulgated by Anderson and Sullivan (1993); O' Malley (1998); and Gronroos (2000) who suggested that buyer satisfaction can be used as an indicator to future loyalty.

Another example that demonstrates that a positive service incident can produce a positive buyer inference, effect and consequence can be seen in the following respondent comment. Here the member's first reaction to "think of an occasion when they where were satisfied or dissatisfied" was to comment about the food at the WHC. In this simple recollection of a reported positive service incident, the respondent reports that;

"*...the food* **(positive incident)** *I enjoy* **(positive effect-satisfaction),** *its reasonably priced* **(positive inference-relationship benefit),** *and the quality of service is good* **(positive effect-satisfaction)".**

Deborah, Train & Go, In–depth interview

Again, from the analysis of this incident, the member has made positive inferences about the quality and pricing of food that had the effect of them being a satisfied member. It could, therefore, reasonably be assumed that this positive incident had produced, not only a high level of satisfaction, but, strong attitude and the desire for future purchase as a consequential outcome.

5.2.2 Considering the negative critical service incident

As mentioned previously in the introduction to this chapter, the themes in the critical service incidents identified during the participant observation in research cycle one proved to form the basis of respondents' identification of *"a time when they had a dissatisfying experience"*. The negative service incidents reported revolved around three central themes, that of; the communication between members and the management/staff; the facility being near full capacity; and the conflict between the member groups. The influence of these negative incidents on the buyer inferences, effects and consequences will now be considered in more detail.

5.2.3 Member-management/staff communication

The following analysis will demonstrate that respondents from all groups reported being dissatisfied with the communication between themselves and the management and staff in terms the process, the interaction and the outcome. This supports the view of Smith, Bolton and Wagner (1999) who argue that service incidents and recovery are largely perceived by buyers, not only in terms of justice and conflict resolution, but more importantly the communication between buyer and seller. This argument is also supported by Morgan and Hunt (1994) who stated that poor communication between buyer and seller can have a negative effect on the level of trust and commitment found in a relationship. It is not unreasonable to assume that during a period of conflict, such as occurs during the negative service incident, the role of communication in resolving conflict and maintaining the level of trust between buyer and seller is of paramount importance. In order to present the findings of the critical service incidents reported, the term communication has been sub-divided into the constituent variables of communication process, communication interaction and communication outcome.

5.2.4 The communication process

In terms of the communication process, respondents felt they had the ability to comment about the service incident, but, that they were not encouraged by the management and staff, nor by the systems available to communicate the service incident. The feeling that there was a barrier to the communication of a service incident is evident in the following member responses. It would appear that a lack of clear communication between buyer and seller produced negative buyer inferences, effects and consequences, thus impacting on the overall quality of the relationship. During the participant observation phase, the researcher did note that there was a form for members to provide comments about good or poor service, or to provide suggestions, but that this was located in a general club brochure dispenser that was, therefore, hidden from view. As a result, it was difficult to immediately recognise this form as a communication vehicle as there were no visible mast head indicating its purpose.

The example below identifies one respondent who commented that a service incident, in the form of an interactive communication process, had resulted in buyer inferences about their negative disconfirmation of service expectations in that they had expected staff in a service environment to be open and communicative. This had produced the effect of them being dissatisfied about the lack of cooperation from staff. The consequence of this inference and effect was that the respondent had a weaker attitude toward the WHC as they had subsequently evaluated the value for money she was getting, probably in relation to the competitive alternatives. This process is represented in the following respondent quote;

> *"What really pisses me off* **(negative effect-dissatisfaction)** *is that sometimes you inevitably forget your card* **(negative incident)** *to get in, and there's very much an attitude* **(negative effect-lack of cooperation)**, *more times than not, that you seem to be putting them (Reception Staff) out* **(negative inference-negative disconfirmation of service expectations)**. *All they have to do is press a button, and it really annoys me* **(negative effect-dissatisfaction)** *because I think, hang–on I'm paying quite a lot of money for this service* **(negative consequence-low relative attitude)***".*
>
> Deborah, Body Beautiful, In-depth interview

5.2.5 The communication interaction

The respondents cited many instances where the interaction and communication with management and staff were considered as negative service incidents that were critical enough to have left them dissatisfied. A common theme arising during the interviews suggested that staff were professional and efficient, but, were found wanting when it came to delivering a service with common courtesy and friendliness in an openly communicative environment. Particular criticism was directed at the reception staff, which the researcher can accept. During the participant observation phase of the research, the field notes reflected that the reception staff were uncommunicative, unfriendly and largely unengaging. On only one occasion, in all of the visits, did they acknowledge the researcher's presence on entry to and exit from the club. Whilst the respondents were particularly disparaging of the reception staff, other staff members from different departments, were also singled out for criticism. The respondent dissatisfaction with their interaction with staff is evident in the following respondent quotations, and it is not unreasonable to suggest that the post incident inferences about poor service have lead them to feel dissatisfied with the service incident. As a consequence, the respondents are likely to have suffered the outcome of having a weak attitude toward the WHC. The incidents, inferences and effects are represented in the following respondent quotes;

"...after you have been inducted in the gym **(negative incident)**, *they (staff) just sit there and I think they should follow through...they should come over and say; How are you doing? How are you getting on?* **(negative inference-lack of communication)** *...but they don't* **(negative inference-negative disconfirmation of service expectations)**, *they just sit back...they don't seem to do much"* **(negative effect-dissatisfaction).**

John, The Old School, In-depth interview

" I get the distinct feeling that they have the beautiful people and then the others **(negative inference-lack of shared values)**, *and the reception staff will actively talk to the beautiful ones* **(negative inference-lack of communication)**... *but very, very rarely will they speak to me* **(negative incident)**...*I've been appalled on occasions* **(negative effect-dissatisfaction)".**

Deborah, Train & Go, In-depth interview

From these findings, the work of Chandon, Leo and Phillipe (1996, p.81) come to mind. In their empirical work on the interaction between buyer and seller during a service incident, they found that a buyer's successful assessment of the service incident was more dependent on the percieved competence, listening and dedication of service staff, rather than the general service being delivered. On the other hand, Bitner et al (1990, p.71) found that with the type of negative service incidents identified above, buyer-seller interactions are considered by the buyer *"as the service"* and that such service incidents will leave them feeling unsure about the quality of service provision. Developing this theme, Smith, Bolton and Wagner (1999) stated that the influence on the buyer-seller relationship of such service incidents will largely depend on the magnitude and consequences of the incident, and on the recovery strategies re-dressing the balance of equity in the relationship. Whilst none of the respondents considered these incidents as being "critical enough" to terminate the relationship, the researcher interpreted these findings in the light of the work of Morgan and Hunt (1994) who stated that the effects poor communication will be a lack of trust in, and commitment to, maintain the relationship.

Whilst these respondents may have been unwilling to terminate the relationship following a negative incident, the level of trust in the relationship may well be reduced, thus producing a weakening relative attitude toward the WHC and perhaps a reduction in their repeat patronage. However, these respondents may well remain committed to the relationship because of the relationship benefits accrued in the form of first class sporting facilities.

5.2.6 Communication outcome

The next area of concern mentioned by respondents with regards to the communication related service incidents, was that of communication outcome. There was evidence to suggest that respondents had clearly been unhappy about certain service issues for some time, and that these problematic areas had not been resolved to their satisfaction. The common consensus in service marketing literature posits that negative critical service incidents may not in themselves be problematic, if management introduce appropriate recovery strategies to overcome the negative impact of the incident on the buyer (Hoffman and Kelly, 2000; Mittila, 2001).

The following statement from one respondent shows that he regarded the communication process with WHC management as a waste of time. The communication process was not really working from his perspective and as he didn't have much in the way of influence in the relationship, the outcome of the communication process seemed to have been a fore gone conclusion.

The effect of this service incident was to acquiesce to the requirements of the WHC, with the consequence of creating a low relative attitude toward the club.

"I could email (Name – Chief Executive) about something and he'd probably pay lip service to it **(negative inference-relationship inequity)**, *but how much he would do...well I don't know* **(negative effect-uncertainty)**. *When I complained about the dress code for women (tennis players)* **(negative incident)**, *I knew what the answer was going to be* **(negative inference-communication outcome)**...*I am the only one with this problem. So I get used to it,* **(negative effect-acquiescence)**...*I don't know why I bother* **(negative consequence-low attitude)** *because I never really expected him to do anything".*

John, The Old School, In-depth interview

Another example demonstrated that respondents were unhappy with the communication outcome is demonstrated in the quote below. The respondent commented on a negative service incident in the form of asking for a new "towel" service. The respondent inferred that the staff did not listen, or even care about member ideas. This incident had left her feeling disappointed with the communication process and outcome with WHC staff and had the effect of them being dissatisfied with the service provided by the club. The consequence of this incident may have been a buyer with a weakened sense of loyalty toward the WHC, and being less committed to maintaining the relationship. This finding supports the view of Morgan and Hunt (1994) who found that not being engaged in satisfactory and mutual communication can severely impact on the quality of the relationship.

"Another thing that really annoys me **(negative effect-dissatisfaction),** *is that on a number of occasions, probably five or six times* **(negative effect-dissatisfaction),** *I said that I would like a towel service* **(negative incident)** *in case I forget it (the towel)...you're not given an explanation* **(negative inference-poor communication),** *the only response we get is that we don't offer the service...after a while you just give up"* **(negative effect-acquiescence)**

Deborah, Train & Go, In-depth interview

Overall, these negative critical service incidents were not enough in themselves to terminate the relationship as Keaveney (1995); Mack, Mueller, Crotts and Broderick (2000) had suggested. Instead, these respondents tended to be unhappy with certain aspects of the general service provision and were particularly dissatisfied with the outcomes of the specific incident they reported. However, these respondents, whilst dissatisfied with the service incident, remained satisfied enough to maintain the relationship. This dichotomy in perspectives of buyer satisfaction may well be indicative of the distinction between "cumulative satisfaction" and the "transactional satisfaction", identified by Yoon and Kim (2000), whereby singular service incidents do not in themselves have an immediate impact on the overall level of buyer satisfaction. However, these singular incidents may have the effect of reducing the level of trust in the relationship, as members frequently acquiesce to the wishes of the WHC, therefore, weakening their relative attitude and leaving them open to the appeals of other service providers at some point in the future. These findings tend to support work of Zeithaml and Bitner (1996); and Odekerken-Schroder et al (2000) who found that negative critical service incidents often leave the buyer feeling unsure of the firm's quality, and doubtful of its consistency in service delivery. The consequence of this uncertainty in service provision, as Morgan and Hunt (1994); and Dick and Basu (1994) found, can often be the search of a new relationship partner.

5.2.7 Membership capacity

As previously mentioned in the introductory chapter, the WHC was operating at near full membership capacity during the three cycles of research, and indeed, had some membership categories full or operating on waiting lists. As described in the previous analysis above, the respondents appeared to be committed to maintaining their relationship with the WHC, as the benefits to them of staying in the relationship, outweighed the disadvantages of specific negative incidents and the costs of terminating the relationship. This finding supports the view of Morgan and Hunt (1994) who stated that relationship benefits can lead to higher levels of relationship commitment, but not necessarily relationship trust. Therefore, members would be less likely to leave the club and acquiesce to the WHC policies and procedures. Another theme in the negative incidents reported by respondents was the perceived limited access to parts of the sporting facility, and in particular, the tennis facilities. The negative incidents reported, demonstrated that whilst the respondents remained committed to maintaining the relationship, they inferred that they were not getting value for money, had reduced accessed to the facilities and as a consequence, were reassessing their commitment to maintaining the relationship. The problems of capacity and access are highlighted in the following respondent quotations;

"Another thing that worries me **(negative effect-uncertainty)** *is that I see how busy the gym is on occasions and I still see people (staff) walking through and encouraging new members* **(negative incident)**, *and I just wonder if they (WHC) are motivated by numbers* **(negative inference-shared values)**, *because what really will begin to piss me off* **(negative effect-dissatisfaction)** *is when I cant get on the equipment because of new members* **(negative consequence-weakening relative attitude)***"*

Deborah, Train & Go, In-depth interview

"...trying to book an indoor court is a real pain **(negative incident)**...*even during the day, when you'd think it was quiet, it's practically impossible to book an (indoor) court* **(negative inference-negative disconfirmation of service expectations)** ...*a lot of the time you end up not playing"* **(negative effect-dissatisfaction).**

Bronwen, Keen Amateur, In-depth interview

"...you have to get in early on club night, if you don't book in **(negative incident)**, *you have to wait for bloody ages to get a game* **(negative inference-negative disconfirmation of service expectations)**...*there's far too much waiting around..."* **(negative effect-dissatisfaction).**

Peter, The Old School, In-depth interview

It was evident that these respondents had been tolerant of the pressures that near full capacity had brought to the management of the WHC. Zeithaml and Bitner (1996) and Odekerken-Schroder et al (2000) refer to the zone of tolerance in service provision where the delivery of a service quality is either exceeded, through buyer experiences of positive service incidents, or where negative service incidents generate unacceptable levels of service quality. Respondents appeared have been tolerant of capacity and access problems, thus far mediated by commitment to the relationship benefits (Morgan and Hunt, 1994). However, the question that naturally leads on from this finding is how long these respondents would remain tolerant before they sought the services of alternative providers? It is also not unreasonable to assume that having paid a substantial amount of money for WHC membership, the respondents had expected to gain unrestricted access to the facilities. When considering this point, the research of Anderson and Sullivan (1993); Andreasson and Lindestad (1998); and Mittal and Lassar (1998) would suggest that a continued reinforcement of negative dis-confirmation of service expectations, brought about by capacity related service incidents would ultimately result in relationship termination.

5.2.8 Conflict between member groups

The findings from research cycle one suggested that there was a significant amount of conflict between the members of the WHC. The source of this conflict was driven mainly by different member expectations of the WHC service concept. In a relational context, this confusion in the service concept, from the buyer perspective, would appear to have resulted in the respondents for research cycle two evaluating the shared values between themselves, other members and the WHC. Consequently, some of the respondents suggested that they believed their shared values were mis-aligned, and that this had created a service environment characterised by conflict, poor communication and mistrust. Again, the work of Morgan and Hunt (1994) provides a valuable insight into the future of the buyer-seller relationship. They found that a mis-alignment in the basic value system of buyer and seller would ultimately erode relational trust, and decrease commitment toward maintaining the relationship. As a consequence, the buyer's relative attitude-behaviour (Dick and Basu, 1994) would be reduced to such an extent that it would leave them open to the advances of alternative providers.

A sense of this mis-alignment in shared values is provided in the respondent quotes below, and in particular, The Old School members who had viewed the change in the strategic direction of the club as being particularly problematic. In this case respondents had reported both specific service incidents and more general observations of human activity that had been made up from a series of service incidents and activities occurring at the WHC. These incidents, as shown in the respondent quotes below, had resulted in; inferences with regards to the respondents shared values between buyer and seller; and inferences such as their negative disconfirmation of service expectation. This had resulted in their dissatisfaction with the club and consequently a low relative attitude toward the WHC. The change in the service concept and resulting mis-alignment of shared values had caused some confusion with respondents. For example, Bronwen, a Keen Amateur, stated that the club meant different things to different people;

"it depends on who you talk to, some (members) think it's a leisure centre, others a tennis club, others a gym...to me it's all of them".

Bronwen, Keen Amateur, In-depth interview

This confusion in the service concept, from the respondents' perspective, and the resulting conflict between members was also highlighted in other in-depth interviews. In the first example below, the respondent identified an incident when she had taken her young son, aged three, to the club. She had felt out of place and not welcomed by other members of the WHC, members who she later stated were the old members of the WHLTC. This general sense of being out of place had resulted in her making inferences about her shared values with other members of the club and as a result she had not enjoyed the club as much as she would have liked. The second example below, again demonstrates the confusion in the service concept for a member of The Old School, who believed that the move to health and fitness service provision was something that he wasn't happy with.

"...some people here are a bit snooty **(negative inference-shared values)**, *when I come in and I have (Name-son)* **(negative incident)**, *I can feel it, the tension, and I can feel them watching me when they are around me* **(negative effect-dissatisfaction)**. *I don't let him (son) run wild, but I don't want to feel tense all of the time* **(negative effect-dissatisfaction)** ... ".

Jill, Keen Amateur, In-depth Interview

"...the trouble with health and fitness, is that you get a lot of overweight people waddling around **(negative incident)** *and endless aerobics with over weight ladies classes* **(negative inference-shared values)**, *and that isn't the type of club I like* **(negative effect-dissatisfaction)**".

John, The Old School, In-depth interview

5.2.9 The influence of the critical service incident on the buyer-seller relationship: consolidating the findings of two research cycles

As mentioned in the introduction to this chapter, Argyris (1995, p.163) points out, that the findings from ethnographic research can often be impressionable and inaccurate, and that every attempt should made to validate the findings by triangulating data sources and methods. The findings from research cycle one were presented in Table 2 in 4.4, and have now been updated, revised or simply had the gaps filled in, following further analysis and reflection on the findings by the researcher. The revised findings of the influence of the critical service incident on the buyer-seller relationship have been marked in bold and presented in Table 3 below. Overall, the major changes have seen the Body Beautiful and Train & Go groups down graded in terms of relationship cooperation and their satisfaction, from an assessment of high to medium as these members would appear to have a short-term outlook on their relationship with the WHC. To a degree their service expectations have been negatively disconfirmed as a result of the conflict between The Old School members and other member groups. This, combined with non existent termination costs, and an acute sense of the competitive alternatives in the local market place make for two buyer groups do not have longevity of the relationship at heart.

These members are essentially driven to maintain commitment to the WHC based on the relationship benefits in the form of high quality facilities.

Table 3: The influence of the critical service incident on the buyer-seller relationship: consolidating the findings of two research cycles.

Critical Service Incident Group	**The Old School**	**Keen Amateurs**	**Body Beautiful**	**Train & Go**	**LTA Stars**
Service Concept	Fundamental disagreement	Accepted	Agreed	Agreed	Agreed
Capacity Problems	Major problem	Minor problem			
Member Group Conflict	Yes	Yes	Yes	Yes	
Buyer-seller Communication	Poor	Poor	**Poor**	**Poor**	
Buyer Inferences					
Termination Costs	Intangible, but significant	Intangible, not significant	None	None	None
Relationship Benefits	Diminished Due to the LTA	Increased due to first class facilities	First class Facilities/ Fashionable	First class facilities	First class Facilities/ Funding
Share Values	Mis-aligned	Now aligned	Aligned	Aligned	Aligned
Communication	Poor	Poor	**Poor**	**Poor**	
Opportunistic Behaviour	Yes	No	No	No	
Service Expectations	Negatively Disconfirmed	Positively Disconfirmed	**Negatively Disconfirmed**	**Negatively Disconfirmed**	
Other	Inequity				
Buyer Effects					
Trust	Destroyed	Experiential	Calculative	Calculative	Calculative
Commitment	Calculative	Dedicated	Dedicated	**Calculative**	Calculative
Acquiescence	**Medium**	**High**	**High**	**Medium**	
Propensity to Leave	High	Low	Medium	High	Medium
Cooperation	Low	High	**Medium**	**Medium**	Medium
Functional Conflict	Dysfunctional	Functional	**Functional**	**Functional**	
Uncertainty	High	Low	Low	Low	
Satisfaction	Low	Culmulative	**Medium**	**Medium**	High
Buyer Consequences					
Relative Attitude	Low	High	Medium	Medium	High
Purchase Behaviour	High	High	High	Medium	High
Switching Behaviour	**Low**	Low	Medium	High	Medium

5.2.10 Moving from members groups to member typologies

One of the key questions of this research was to investigate whether some buyers are more likely to be influenced by the critical service incident than others. As Table 3 above indicates, the member groups appear to have variations in the key drivers that influence the relationship with the WHC. Reflections on the data collected in the first and second cycles of research, combined with the validation of findings from the WHC management, have produced derivative assessments of the member groups in terms of their relative attitude-behaviour typology (Dick and Basu, 1994). A buyer typology, as Jenkins (1997, p.9) points out, can help sellers readily identify different groups of buyers and target more effective customer-centred relationship marketing strategies by knowing what makes each group of buyer similar or different. The classification of these buyers into typologies can, therefore, help sellers in *"meeting their needs and solving their problems...thereby acting as a catalyst for change"*. The members of the WHC have subsequently been represented in Diagram 7 below, with the different typologies shown as different sizes according to approximately how many members belonged to each group.

The nature and make up of The Old School members suggest an uncertain future and, therefore, raised important questions about their relative attitude and behaviour toward the WHC and the assessment of their loyalty. These members demonstrated a relatively weak attitude toward the club, and was characterised by what Dick and Basu (1994) refer to as the "lowest relative attitude" formed by what members described as a lack of shared values between buyer and seller; in terms of *"fairness"*, *"a club that is a* *business", "the club don't make you feel welcome", "the club don't seem care"* and the Chief Executive *"thinks about business and he forgets that it's the members who count"*. Yet these members continued to patronise the WHC on a frequent basis due to habit, and the problems of seeking alternative service provision (Bitner, 1995; Bagozzi, 1995). This type of loyalty profile they refer to as Spurious Loyalty also supports the work of Andreassen and Lindestad (1998) who found that the influence of the termination costs mentioned above, also contribute to this type of loyalty.

The Keen Amateurs on the other hand suggested a typology that could discriminate between other service providers in the area. Yet, they had remained with the new club due to the top rate sporting facilities and could, therefore, see the benefits of maintaining the relationship, even in times of conflict. They believed that the LTA's investment had been a good thing for the club and their continued good service experiences had developed a high level of experiential trust and repeat patronage. As advocates of the club (Christopher et al, 1991) they had developed a high relative attitude and backed this up with frequent use of the facility, thus were classified as "Loyal" members (Dick and Basu (1994).

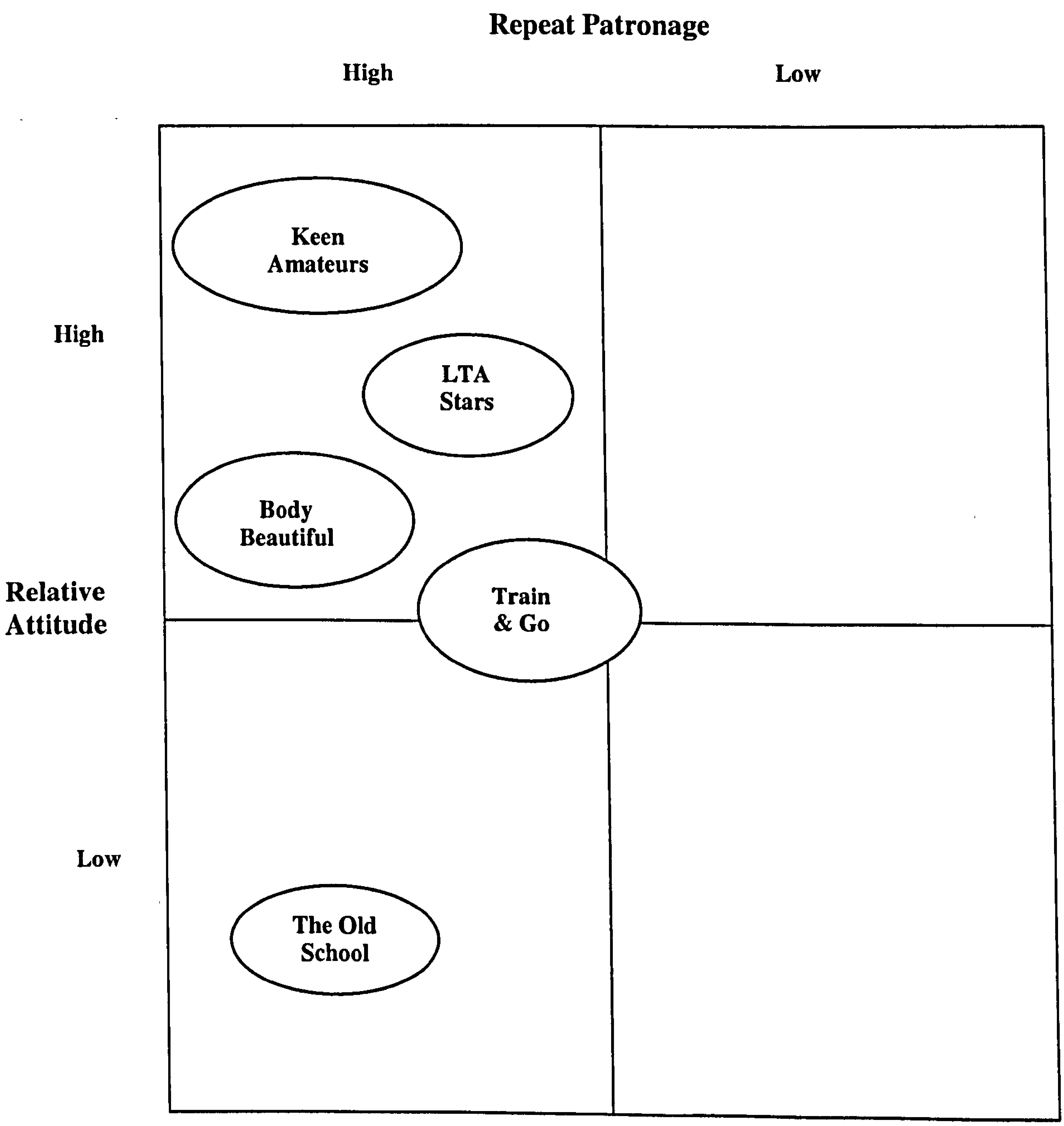
As supporters (Christopher et al, 1991) of the club The Body Beautiful members were deemed to have a high relative attitude toward the WHC. These members were able to distinguish between the service provision of the WHC against other competitive alternatives in the area, and were using the facilities on a regular basis.

In this instance it was decided that this group of members should be classified as "Loyal" members (Dick and Basu, 1994).

However, as with the Train & Go typology, the younger, working professional members displayed an acute awareness of the competitive alternatives that showed signs of their loyalty being transient and based on the continued provision of high quality facilities. Again, Dick and Basu (1994) would argue that their attitude strength was weak, yet still positive compared to alternative service providers. These members did not come across as having the same strength of relative attitude that the Keen Amateurs had, or indeed, had the desire to maintain a long-term commitment to the relationship (Ganesan, 1994; Wilson, 1995; Bejou and Palmer, 1998; Gronroos, 2000). They appeared to demonstrate a commitment to the WHC that could be classified as "clients" on the loyalty ladder (Christopher et al, 1991).

As for the LTA Stars, what was more difficult to ascertain, without directly engaging with these members, was their "relative attitude", that Dick and Basu (1994) propose, is distinguishing factor between true and other types of loyalty. On reflection, it was decided by the researcher to classify the LTA Stars as "Loyal" members as they seemed to enjoy the activities (a positive attitude) provided by the WHC and because the time-tabled playing sessions for children were always full, therefore, demonstrating repeat purchase behaviour.

Diagram 6: Relative attitude-behaviour: a typology of WHC members



5.3.1 Exploring management views of whether a critical service incident had influenced the member relationship with the WHC.

A primary objective of the second cycle of research was to explore the views of the management team as to whether they believed that the critical service incidents reported by members, during in-depth interview, had positively or negatively influenced their relationship with the WHC. This comparison of buyer and seller views of the service incident was inspired by the work of Chandon, Leo and Phillips (1996) who argued that conducting research into both perspectives provides a more comprehensive understanding of the interactive nature of critical service incidents. They went on to argue that an examination of the views of both relational partners, that is buyer and seller, would provide a more holistic assessment of the service incident and subsequently provide a basis on which to identify specific gaps in buyer and seller perceptions of the service incident.

Consequently, at the outset of the management group discussion the researcher tried to get a feel for the type of personal interaction that occurred during service incidents, and the influence that these incidents had on the buyer-seller relationship. As in the work of Bitner et al (1990), the researcher asked the members of the management group discussion whether any one of them could recall a time when they had a satisfying or dissatisfying experience with a member of the WHC. The Head of Reception and the Director of Tennis reported two separate incidents, that in many ways highlighted the strain that the management had been under since the opening of the new club. Their attitude toward members during these incidents was surprising in terms of their lack of sensitivity and appreciation of the fact that negative critical service incidents can end in termination of the relationship (Keaveny, 1995; Zeithaml and Bitner, 1996; Hoffman and Bateson, 1997).

In the first incident, the Director of Tennis commented that one female member of the club had said that she wanted to play mixed doubles rather than ladies doubles during a club night session. The reason being that she found playing with two other male tennis players was more demanding, and would therefore, improve her game. Conflict arose when the Director of Tennis told the member that she couldn't do this and that she would have *"to take what you get, and if you don't like it, you know where the door is"*. The female member left the club immediately. The Director of Tennis went on to say that he regarded this member of the club as *"arrogant bitch who was well above her station"*. When the researcher asked the Director of Tennis how he thought the member might have felt after this service incident, he seemed rather indifferent to her feelings and the possibility of her terminating the relationship, commenting;

"She probably thought what a rude individual I was. That she was an undervalued member of the club and that I had put her down in front of other members, and to be honest with you, I couldn't give a monkeys".

Director of Tennis, Management Group Discussion

The researcher subsequently asked if the loss of this member to another club would be a problem, to which the Director of Tennis said no, but that the loss of her tennis playing son would be a problem. This rather abrasive attitude toward this member was also demonstrated with the incident reported by the Head of Reception who had deliberately tried to make one member *"feel embarrassed"* during the process of the incident. This incident concerned a member who had reported seeing a suspicious looking character, about half a mile from the club, on her way to the club. The Head of Reception said that she would advise the police, but had ultimately forgotten due to her work pressures. An argument between the member and the Head of Reception ensued over an hour later. When the researcher asked how the member might have felt after this incident, the comment was;

"I think she felt embarrassed actually, I made her feel embarrassed"

Head of Reception, Management Group Discussion

Both these incidents seemed to be at odds with the management group's belief that quality service was a priority for the WHC. This is demonstrated in the following quote;

"Certainly we from our side, pride ourselves on the quality of the service and if we get complaints then we will deal with it and try and address it as best we can. Quality of service is one of our real high priorities".

Director of Tennis, Management Group Duscussion

The answer to this conundrum may lie in two areas of research. Firstly, the attribute-based paradigm identified by Keavney (1995); Johns (1999) and Odekerken et al (2000) states that buyers evaluate both the general service environment and specific service incident separately when assessing service quality. As such, buyers can identify and differentiate core service dimensions with specific service incidents. Whilst this body of research had been investigated from the buyer perspective, the findings from this research cycle would appear to support the proposition that the management (the seller) advocated the attribute-based approach of service provision. It follows then, that they consider specific service incidents as divorced from the general service provision. Secondly, the management may believe that these negative incidents could be regarded by members as separate from the core service provision, and therefore, any resultant dissatisfaction with the WHC could simply be considered as transactional as described by Yoon and Kim (2000).

This separation of attribute and incident based perspectives of service provision was also identified by the lack of discussion on the formalised management of service incidents. With the exception of handling a complaint within 48 hours of receiving it, the management provided no indication that they had the type of service incident plan advocated by Shostack (1985) in her Planning the Service Encounter paper. However, the was evidence in the above quote *("we address it as best we can")* to support the work of Johns (1999) who suggested that organisations should not overtly plan the service incidents, in what was essentially a dynamic and socially interactive process.

Yet the views expressed by management during the group discussion, are also at odds with the work of Chandon, Leo and Phillipe (1996) who consider "listening skills" as important in staff during a service incident, and the work of Johns (1999) who promulgated the use of the "human touch" during service incidents.

The management group were also asked to respond to specific incidents reported by members in order to assess their attitudes toward the influence that critical service incidents had on the relationship between the club and the members. What was particularly interesting to note during the discussion was that when the quotes were read out by the researcher, on several occasions, the management team would instantly reply *"who made that quote", "who said that?", "it's obviously been said by (Name)"*. This sense of insecurity, shown by the management team, may well have been indicative of a lack of trust between the management and members of the WHC, which is something that Egan (2001); Coulson (1998) and Ganesan (1994) amongst many others, state is an important driver to both the maintenance and building of successful relationships. This lack of trust may also have been indicative of a service environment that had been extremely difficult to manage over the previous two years.

The first member incident to be discussed was the impact that operating at near full capacity was having on the club and its members. Two specific in-depth interview quotes were used, one referring to the fact a member had problems making telephone bookings for tennis courts, and the second referred to the constant "walk through" by potential new members, especially at a time when the club was already very busy.

The management group responded in very different ways to these comments. They were accepting of the telephone communication problem, with several managers stating that this was *"a fair point"*. The work of Morgan and Hunt (1994) provides some useful insights into this factor, by stating that poor communication between buyer and seller will erode trust and commitment in the relationship. The management group acknowledged these problems, and that it was problematic for members, and said they would seek to address in the future.

However, as a group, they were less accepting of the negative critical incidents reported by some members with regard to the lack of access to the facilities, and in particular, the need to take potential new members on a tour of the WHC facility. The entire group provided a range of effective responses to the members comments, and stressed the need to continually keep membership numbers high. However, the group had difficulty acknowledging the concern of members. It may well be the case that they had failed to understand that these type of incidents, readily endorsed by in-depth interview respondents, made members feel that the service provision was inconsistent and would destroy the bonds of commitment between them and the WHC as proposed by Buttle (1996); Samuelsen and Sandvik (1997); Amine (1998); Garbarino and Johnson (1999); White and Scheider (2000). This pragmatic management perspective in the recruitment of new members, to a facility operating at near full capacity, is represented in the following quote;

"If people come and want to have a look around, what can you do? We've got to show them around".

Administration Manager, Management Group Discussion

When considering the comments from members about the new direction of the club as a sporting facility and the way different member groups now make up the membership of the WHC, the management appeared to place the blame for member conflict firmly on those members from The Old School typology. They described these members as anti-change, inflexible, that they had lost their power base and wanted the club to be run as it was prior to the LTA's involvement. This perspective is represented in the following quote;

"Anti-change, anti-young family oriented club policy. Lack patience, lack manners and live in their own world. They have a very antiquated approach. They are very used to having their own way. The club used to be a third of the size it is now. They used to come in, play a bit of tennis, now there is a membership card, a booking system, lots of new members, a gate...so it's a big change. They now have to pay for a court".

Director of Tennis, Management Group Discussion

"They are just...they are just... (anguish). The amount of problems we had linking the old club and the new club together was massive and it still 'grinds on me' that they still think they can run the club their way. They are set in their ways, inflexible and the thing is they have had it all their own way for years and are still set in their ways. They are anti-change".

Head of Reception, Management Group Discussion

"They all stick to their own group... and tend to be anti-family".

Health and Fitness Manager, Management Group Discussion

During the transition from one club (WHLTC) to another (WHC) the management group appeared to have lost sight of the fact that The Old School had seen a significant reduction in their power base, and to some extent, their relationship benefits in the form of access to tennis playing facilities. The loss of control in managing the club and its activities supports the work of Ganesan (1994) and Szmigin and Bourne (1998) who proposed that when individuals find themselves in inequitable relationships, they often feel exploited, distressed, angered, resented, suspicious and mistrust the exchange partner. This has resulted in a low relative attitude (Dick and Basu, 1994) and a lack of commitment toward maintaining the relationship (Morgan and Hunt, 1994), and as a result, many of the these members had left the WHC in favour of the competitive alternatives. The negative management attitude toward this group of members suggests that negative critical service incidents involving this group would not be perceived or managed in a way that ensured that these members were actively retained during and after a conflicting service incident.

The buyer–seller relationship between The Old School and the WHC management would, therefore, appear to be in a long-term and terminal decline whilst the other typologies were benefiting from a sport for all vision of a family orientated club with first class sporting facilities.

5.4.1 Presenting, discussing and reflecting on the findings

The findings of the second cycle were initially reported to the Chief Executive during a meeting in August 2001. His first response was one of disappointment in the findings. The second cycle had, in many ways, confirmed the findings of the first cycle, which were, problems with; capacity management, poor member-management/staff communication and conflict between members. He was disappointed and said that the findings were a *"kick in the guts"* after he had taken over a sporting facility that was in ruin and £60,000 in debt three years ago, and had now turned it into a state of the art tennis, health and fitness facility. Yet his preliminary thinking and discussion with the researcher revolved around the lack of what he called a service orientation in his management and staff. He said that he wanted to reflect on the findings in more detail before he circulated them to his management team.

The Board of Management meeting the following month began with a degree of uncertainty. The researcher was asked to present the findings to the management team, without knowing that two members of the reception staff had recently been fired by the Chief Executive for not being "right for the job".

The management group agreed with most of the findings of the research, but defended their corner particularly with regard to the need to continually take potential members around the facility, even though the club were all but operating at full capacity. They also had the confidence to say that they could do better in managing certain areas of the WHC service provision, particularly with regard to those service incidents relating to the poor communication between themselves and the members. The strategic focus of the meeting was driven by the Chief Executive who set the tone for what he called a new era in service management for the WHC, rather than a need to grow the business further. He was particularly enthusiastic with regard to the identification of the member typologies, and how they could be used by staff to differentiate members of the club during service incidents and interactions. He also confirmed that these findings would be used as a springboard to consider the introduction of the Investors in People scheme at the WHC and assigned responsibilities to the senior management to progress this initiative. At a more tactical level, several change management initiatives were also introduced with regard to opening up communication channels with immediate effect. These initiatives are discussed in more detail in Chapter 7 with regard to the action learning of the Chief Executive.

Chapter 6: Research cycle three findings – exploring ex-member views

"We've had more members leave us last month than anticipated, and I'm interested in knowing if our customer service had anything to do with their decision to leave the club. I'm thinking about introducing the Investors in People Scheme and the findings of this research will help me".

Chief Executive, research cycle 3, 13th February 2002

6.1 Overview

The aim of the first and second research cycles was to explore and gain insight into the naturally recurring incidents in the service environment and the influence that they had on the buyer-seller relationship. As the conceptual framework in 2.7.1 identified, the next logical step for the research, was therefore, to investigate the critical service incident from the ex-buyer perspective in an attempt to identify whether a negative service incident had influenced their decision to terminate the relationship with the WHC.

The WHC Member Resignations Report identified a number of young members leaving the club which provided an opportunity to collect data from the LTA Stars member typology. The report provided telephone contact information for the parents of these members (under 18 years) and older members (between 18 and 21 years) in this typology.

The researcher, therefore, decided to collect data on those younger ex-members during discussion with parents on the child's behalf, and where appropriate, with the older LTA Stars themselves.

As mentioned in the review of literature, 2.6.1, only a few studies had been conducted on the causes and processes of buyer relationship termination. As another exploratory research cycle that consisted of a small sample size, these findings are not meant to be statistically significant and representative of all ex-members of the WHC. Instead, these findings attempt to reveal patterns in the service incidents reported by ex-members, in the hope that management of the WHC could gain some insight into the reasons why members of the club had terminated the buyer-seller relationship. As a result, the data presented will consist of descriptive statistics such as frequencies and measures of central tendency with particular emphasis being placed on any differences between the membership typologies and their response to negative service incidents. In addition to the classification of service incidents, the data has been analysed in such a way as to identify whether those member typologies identified in research cycle one, were more or less likely to terminate the relationship on the basis of a negative service incident(s). Palmer, Beggs and Keown-McMullen (2000, p.513) would support this approach as they believe that segmenting customers can help managers identify *"significant differences"* in the way different groups of buyers react to and perceive different types of service incidents. Indeed, their empirical research into the equity and repeat intention of customers following a service failure found significant differences between respondent groups that were categorised on the basis of age and gender. A sample of the data analysis for this research cycle has been included in Appendix 7.

Once again, the findings of this research cycle will re-iterate many of the critical service incident themes presented in the findings for research cycle one, and those specific service incidents identified by members in research cycle two. That is, service incidents concerning; facility capacity, member-management/staff communication, and the conflict between different member groups. The findings will also demonstrate that negative critical service incidents have created relationship inferences and effects that have resulted in buyers consequently terminating their relationship with the WHC. In addition to this, the findings will also state that some member typologies were more or less tolerant of critical service incidents and their influence on the relationship. As described in the methodological discussion, this cycle of research was informed by similar studies including; Hallowell (1996); Stewart (1996); Gengler and Popkowski Leszczyc (1997); and Andreassen and Lindestad (1998). However, in particular, the work of Keaveney (1995) informed the categorisation of the observable human activities (Flannagan, 1954) into a more formal assessment of the critical service incidents that occurred during the switching process. As illustrated during the discussion in 2.6.1, this research has been widely crossed referenced in literature as a influential piece of empirical research that has informed both the practitioner and academic communities alike. For example, Keaveney (1995) used the critical incident technique to investigate customer switching behaviour across 45 different services including beauty salons, mechanics, doctors, restaurants and banks.

The premise of her study was to explore the determinants of a buyer's decision to switch service providers and to identify the role that critical service incidents, or combination of incidents, had in encouraging a buyer to switch service providers. The key constructs used in this research cycle to identify a critical service incident were taken from the work of Keaveney (1995) who classified service incidents and buyer-seller behaviours into the following categories; pricing, inconvenience, core service failure, failed service encounter, response to failed service encounter, competition, ethical problems, involuntary switching. However, the definition of one construct was extended and clarified on the basis of the findings from research cycles one and two, that was, the ethical category. In Keaveney's (1995) definition, ethical problems were primarily considered as those incidents that were; illegal, immoral, unsafe, unhealthy, widely deviated social norms and conflicts of interest. The researcher felt that this definition needed some clarification for the scope of this research cycle. Whilst the distinction between right and wrong is an obvious consideration for ethical behaviour, the definition needed to focus more closely on the principles of the respondent in terms of them being closely aligned to the ethical standards of the WHC. It was clear from the findings of the previous research cycles that inter-member conflict was precipitous within the "new principality" (Machiavelli, cited Bull, 1999). As the new ruler of the principality, the LTA had introduced new laws, values, customs and practices that had changed the strategic direction of the club. This had created a conflict in the interests between some members and the club, and in this sense, it could be argued that a consideration of the way the club was being run, was a consideration of what was right and wrong.

Subsequently, any service incident relating to a conflict of interests between buyer and seller was considered as an ethical incident for the purposes of research cycle three. An overview of the service switching category, their definition and a sample of the incidents reported by ex-members of the club are shown in Table 4 below.

Table 4: Negative Service Incident Switching Category Definitions

Service Switching Category	Service Switching Category Definition	Critical Service Incidents Reported by Ex-members
Pricing	All switching incidents relating to; price, fees, rates, price deals, penalties, promotions and coupons.	• Too expensive • Not value for money • No corporate rate
Inconvenience	All switching incidents relating to; location, hours of operation, and waiting time.	• Waiting to play tennis • Timing of gym classes • Access to indoor courts • Times of kids swimming
Core Service Failure	All switching incidents relating to mistakes, billing errors, service catastrophe, decreased service levels.	• Tennis courses overbooked • Tennis coaches too busy • Tennis courts too busy • No badminton available • Not enough staff in gym • Swimming pool too busy
Service Encounter Failure	All switching incidents relating to personal interactions between customers and employees; uncaring, impolite, unresponsive, unkowledgeable.	• Unresponsive coaches/gym staff • Tennis coaches are lazy • Argument with manager
Response to Service Failure	All switching incidents were handled Inappropriately; reluctant response, failure to respond, negative response.	• Employee was harsh • Tennis coaches took 3 weeks to return telephone call • Tennis coach didn't return call • Manager put me down
Competitors	All incidents relating to a better service from a provider; more personable, more reliable, better quality.	• Better facilities offered • Better timing of gym classes • More time to play tennis • More variety of gym classes • More relaxing atmosphere
Ethical Problems	All switching incidents described as; illegal, immoral, unsafe, unhealthy, dishonest, intimidating behaviour, conflicts of interest.	• My face didn't fit • Couldn't play badminton • Not a child friendly place • A kids club for the LTA
Involuntary	All switching incidents related to factors beyond the control of customer or service provider.	• Moving away • Lost/new job • Health problems
Other	All other switching incidents that Couldn't be categorised as above.	• Not using club enough • No transport to club • Stopped playing tennis • Job commitments

6.2 Why did ex-members terminate the relationship?

The findings presented in research cycles one and two identified that many of the critical services incidents being reported revolved around issues relating to a facility operating at near full capacity, conflict between member groups and poor management/staff and member communication. Whilst many of these problems remained during research cycle three, it was interesting to note that communication, mainly at club level, had improved but was still cited by some respondents as being problematic on a one to one basis. The success at club level may have been the result of introducing, as part of the action research process, relationship building tactics like; providing members with feedback from a recent members survey, introducing a new health and fitness notice board, re-invigorating the member user groups and publishing of subsequent minutes.

However, members of the WHC had been encouraged to leave and seek alternatives in service provision, having experienced negative service incidents that had been critical enough to terminate the relationship. For example, of the 51 ex-members included in the survey, 30 respondents reported a range of negative critical service incidents from which 16 respondents (53%) stated that an a negative incident, or series of incidents, had specifically influenced their decision to leave the club. This finding supports the work of Keaveny (1995); Mack et al (2000); and Colgate and Hedge (2001) who found that negative critical service incidents had encouraged buyers to terminate their relationship and switch to an alternative service provider. However, what was more interesting, was that in these studies between 20-25% of buyers were prompted to terminate the relationship as a consequence of an incident(s), which in comparison, was more than half the figure found in this research.

In Table 5, below, an overview of the results have been provided. The findings have been categorised into two types of respondent; firstly, "All Respondents" in the survey who reported a negative service incident(s); and secondly, of these respondents, those that reported that a negative service incident that was critical enough to influence them to terminate the relationship (Incidents Leading to Switching).

Table 5: Ex-members Negative Service Incident Switching Category

Service Incident Switching Category	All Respondents Reporting Negative Service Incidents	Respondents Reporting Negative Service Incidents Leading to Switching
Pricing	14%	13%
Inconvenience	7.5%	6%
Core Service Failure	21%	28%
Service Encounter Failure	8%	13%
Response to Service Failure	7.5%	9%
Competitors	10%	13%
Ethical Problems	8%	15%
Involuntary	13%	1.5%
Other	11%	1.5%

n=51

As can be seen from the above table, the key service switching influences on "All Respondents" decision to leave the club were; Core Service Failure (21%), Price (14%) and Involuntary reasons (13%). However, these figures tend to mask the influence that negative critical service incidents have had on respondents who had specifically cited them as being the reason they terminated the relationship. In this case, the figures for Core Service Failure (28%), Ethical (15%), Failed Service Encounter (13%), and Competition (13%) are all service switching categories that rise substantially. These figures in part confirm those of Keavney (1995) who found that Core Service Failure and Failed Service Encounter were the most prominent reasons for buyers to leave a service provider. However, where findings of research cycle three conflict with those of Keaveney, are in the citing of Ethical reasons by respondents. They often stated that the conflict between members, and an inability to play competing forms of racquet sports like badminton, formed part of the reasons for terminating the relationship with the WHC.

The negative service incidents reported by respondents under the category of Core Service Failure again identified the problems of near full capacity and gaining access to tennis, swimming and health and fitness facilities, as previously indicated in the findings for research cycles one and two. Another recurring theme in the negative critical service incidents reported those in the Ethical category. This referred to the continued conflict between the membership typologies caused by different perspectives of the WHC service concept and shared values as seen by different member groups. The respondents from all groups commented on this factor stating that; *"older members* *didn't like kids"* Body Beautiful respondent; *"it's not a child friendly place"* Keen Amateur respondent; *"the LTA don't allow us to play badminton"* LTA Star and Train & Go respondents; *"it's a kids club"* The Old School respondent.

6.2.1 Switching behaviour was complex

The findings of this research cycle provide some disagreement with Keaveney (1995) in terms of the role that the negative service incident, and in particular, the Failed Service Encounter, played in a buyer's decision to terminate the relationship. In her study, the social interaction that characterises the buyer-seller relationship played a more significant role, with more than 34% of all respondents stating that the key reason for terminating the relationship was a Failed Service Encounter. Yet the findings of the third cycle of research found that the Failed Service Encounter category accounted for only 13% of respondents reason for switching service providers. An explanation for this difference may lie in the categorisation of incidents under the headings of simple and complex switching behaviour, previously identified in 2.6.1. In Keaveny's (1995) work, 45% of respondents described switching incidents as being composed of a single behaviour or factor, with Service Encounter Failure being cited as a key reason for switching. However, the findings from this cycle of research found that the switching behaviour of WHC members were composed entirely of complex, multi-factor incidents. It may well be the case then, that the difference in findings for the social interaction aspects of the relationship (Failed Service Encounter, Response To Failed Service Encounter) were embedded and categorised within complex switching behaviours, some of which consisted of 7 incidents being reported by respondents.

Previous researchers in this field, including; Bitner et al (1990); Edvardsson (1992); and Palmer et al (2000) have all readily acknowledged the problems with the categorisation of service incidents, and giving the correct weighting to the factor that most contributed to the switching of service provider. An example of this complex switching behaviour and the embedding of the socially interactive aspects of the Failed Service Encounter and its response is demonstrated in the following respondent quotation;

"It wasn't a child friendly place **(Ethical)**, *yes they have the creche, but my 12 year old often felt as if he had nothing to do in between matches. A table tennis room would be good* **(Core Service Failure)**. *I had a run in with (Name – Chief Executive)* **(Failed Service Encounter)**, *and whilst I agreed with what he said, he was so abrupt and rude that I decided that it wasn't worth staying at the club. We had our argument in front of a lot of people and he put me down* **(Response To Failed Service Encounter)**. *The East Dorset* **(Competition)** *is more relaxed and I can leave my son for an hour without worrying* **(Other)**, *I don't forget my responsibility to him and just let him run wild, but it's a different atmosphere".*

Ex-member, Keen Amateur

The case that had stimulated the Chief Executive of the WHC to initiate the third cycle of research was a prime example of not only a complex switching incident, but a "catastrophic" one. In this instance, the ex-member advised that they were a new member of the WHC, but that a series of negative incidents and a failed response by a tennis coach had produced an almost immediate consequential outcome, termination of the relationship.

This process is illustrated in the following respondent quote;

"We joined because my wife wanted to play tennis and improve. We paid for her to go on a course with (Name- tennis coach), but due to the clubs commitments **(Core Service Failure)**, *they had overbooked* **(Core Service Failure)** *and (Name-tennis coach) couldn't make up his mind as to which group she should go in, so she ended up in no group* **(Failed Service Encounter)**. *This was crucial in our decision to leave. We paid £500 for a course and ended up, just waiting for the next quarters course* **(Inconvenience)**, *and in the end, paying £1000 for a family to go swimming became ridiculous* **(Price)**. *It's the first time that we'd joined a health club and it has really put us off. We mentioned this to (Name-tennis coach), but I don't think he took this seriously, so we left* **(Response To Failed Service Encounter)**.

New member, Keen Amateur

Overall this case was indicative of the 16 ex-members who had responded that a negative critical service incident, particularly with regard to Core Service Failure and Failed Service Encounter that had produced a consequential outcome of buyers leaving the WHC. However, of these ex-members, 9 (56%) said that they had complained to staff and that the club had failed to respond adequately to their request. This rate of complaining activity by WHC members was lower than found in the studies of Stewart (1996) and Colgate and Hedge (2001) at 75-85%, however, loosing over half of complaining members could be considered high. Bitner et al (1990); Odekerken et al (2000); Edvardsson and Strandvik (2000); and Farrell, Souchon and Durden (2001) suggest that this could signal an inability of staff to respond effectively to buyer complaints which can often result in decreased levels of trust (Ganesan, 1994; Coulson, 1998; Egan, 2001). This inability to respond to complaints may also be indicative of inflexible working procedures, inadequately trained staff, staff being complacent with a facility that was rapidly growing. This may have subsequently lead to lower levels of buyer satisfaction and ulitmately service switching (Andersen and Sullivan, 1993; Andreassen and Lindestad, 1998; Mittal and Lasser, 1998).

6.3.1 Some members were more likely to terminate the relationship

The findings presented in 6.2.1 above showed that a range of different negative service incidents had produced the consequential outcome of termination of the buyer-seller relationship in 53% of respondents. In order to take the analysis further, the data was also examined in relation to the research objective concerning the possibility of whether there were any differences in the way the member typologies perceived, reacted, or were influenced by the negative service incident. This information would then provide the management and staff of the WHC with insight into the value of member segmentation, and how they could manage the service incident differently according to the member typology. As such, the critical incidents have been examined in a relational sense, and according to the process of inferences, effects and consequences as identified in 2.2.

Overall, the ex-members from the membership typologies did react differently to the influence of the negative service incident on the relationship. For example, the Body

Beautiful and Train & Go ex-members complained less and reported fewer incidents and behaviours, in comparison to other typologies, during termination process.

As for the Keen Amateurs, The Old School and the LTA Stars, it could be argued that by having a more mature relationship that they should be more resistant to the influence of the negative service incident, as found by Bejou and Plamer (1998). Yet the findings of this research cycle contradicts their work. Instead, members were becoming less forgiving about the difficulties in providing and managing service provision, complained more and were more likely to terminate the relationship following a negative incident. This contradiction of the work of Bejou and Palmer (1998) may be related to the service environment at the WHC, which was characterised in previous research cycles as one of conflict as a result of moving from one service concept to another. It would appear that these ex-members may have, over time, become less resistant to the influence of the negative service incident, and as such, their experiential trust (Coulson, 1998) was such that they considered there to be no future for the relationship.

A summary of the data across all the membership typologies is provided in Table 6 below. It shows the member typology, the main negative service incident switching category, the mean number of incidents reported, and the percentage of intra group members who complained about an incident and consequently terminated the relationship.

Table 6: Ex-members by Typology and Negative Service incident Switching Category

Membership Typology	Negative Incident Influenced Switching	Complaint Made	Mean Number of Incidents Reported	Service Incident Switching Category
Body Beautiful	40%	10%	2.67	Price (20%) Core Service Failure (15%) Ethical (13%)
Keen Amateurs	50%	50%	3.33	Core Service Failure (30%) Response to Failed Service Encounter (17%) Failed Service Encounter (13%)
LTA Stars	80%	60%	2.22	Core Service Failure (20%) Competition (15%) Ethical (15%)
Train & Go	50%	17%	2.31	Core Service Failure (22%) Price, Involuntary, Other all (17%)
The Old School	67%	67%	3.33	Core Service Failure (20%) Price (20%) Failed Service Encounter (20%)

Mean Number of Incidents Reported (All Typologies)	2.69
n=51	

6.3.2 A body beautiful – but not at any cost

As presented in research cycle one and two, this group were classified as "loyal" (Dick and Basu, 1994) members of the WHC, who primarily joined the club for the new health and fitness facilities (gym, aerobics, swimming pool). The findings of the previous research cycles also suggested that these members had a dedication based relationship (White and Schneider, 2000) where they are actively motivated to maintaining the relationship primarily due to the benefits and an alignment in the shared values (Morgan and Hunt, 1994) between themselves and the club.

These members were classified as Supporters (Christopher et al, 1991) of the club in research cycle one, and as having a high relative attitude-behaviour in research cycle two. However, the findings of this research cycle suggest that this positive loyalty profile and dedication to the club, may in fact be more spurious than first thought. This group of ex-members were not particularly sensitive to the inferences and effects produced by the negative service incident, particularly in comparison to other ex-members, with 40% of respondents reporting that an incident had influenced their decision to terminate the relationship. This group were, however, particularly aware of increases in price, with 20% of respondents mentioning this switching category as one of the primary reasons for leaving the club. Many of the respondents had cited a notification of an increase in price as a negative incident, from which, they had inferred that the relationship benefits they received may not be as good as the competitive alternatives. The price related incidents had also provided the respondents with an opportunity to consider their satisfaction with the benefits going forward, with the effect of producing a degree of uncertainty in the relationship.

In addition to this, these ex-members were not overly critical of the service provision, with an average of 2.67 incidents being reported as part of what Keavney (1995) described as complex switching behaviour. This figure falls below the mean of all incidents reported by all ex-members in the survey. It is also interesting to note that this typology tended not to complain to management and staff about negative incidents as they had the lowest complaining rate, at just 10%, compared to the other typologies.

This lack of complaining activity, therefore, left little or no opportunity for management to resolve a member issue or rectify the service incident problem as suggested by Farrell et al (2000). Whilst this typology didn't complain much they always seemed to be on the look out for the best deal in town and made evaluative judgments about the value for money they were getting from the WHC. Whilst Dick and Basu (1994) suggest that a strong attitude is likely to provide an indication to repeat patronage, they also suggest that this attitude is relative to the competitive alternatives. This membership typology demonstrated this relativity concept by being able to make quick and frequent comparisons between the competitive alternatives, and therefore, one must consider the members in this typology as being more customer based, than supporter based, according to the loyalty ladder (Christoher et al 1991).

The two respondent quotes below typify the key themes in the critical service incidents reported by members from this typology. These respondents were primarily concerned with price, core services and the conflict with The Old School members at the club. The incidents reported had produced inferences and effects about the current state and future direction of the relationship, and had obviously resulted in the consequential outcome of relationship termination.

One respondent reported that notification of a price increase, produced an assessment of the relationship benefits, resulting dissatisfaction and termination of the relationship. They stated that;

"We just had our new prices through **(negative incident)** *and when we looked at it, we thought the price had gone up* **(negative inference-assessment of relationship benefits)** *with no improvement in gym facilities* **(negative effect-dissatisfaction).** *There wasn't much variety in the classes either* **(negative inference-assessment of relationship benefits),** *so we went to Fitness First* **(Negative consequential outcome-switching).** *I think it was only a few pounds more, but we decided to go."*

Ex-member, Body Beautiful

Another respondent reported inferences about how they felt out of place at what was an unfriendly club. They cited a number of occasions when the older members (The Old School) had made them feel unwelcome, which again had produced inferences about the shared values between themselves and the club. They had become so dissatisfied about these incidents with the other members that they consequently terminated the relationship with the WHC. They stated that;

"The older people have a great way of making younger people feel bad and unwelcome. I felt as if I didn't really fit in at the club **(negative inference-shared values).** *The older members made you feel unwelcome* **(negative inference-negative disconfirmation of service expectations),** *and whilst the facilities were excellent* **(positive inference-relationship benefits),** *I felt as if I wasn't wanted* **(negative effect-commitment),** *so I left* **(Negative consequential outcome-switching)**".

Ex-member, Body Beautiful

6.3.3 Train & go – they want and expect superior relationship benefits

The findings from research cycles one and two identified these members as having a fairly strong relative attitude-behaviour, somewhere between loyal and spurious loyal. The findings of this research cycle confirm the previous notion that these members are "customers", remaining firmly at the lower end of the loyalty ladder (Christopher et al, 1991). They appeared to be removed from the mainstream of the club and its activities, and would exercise without engaging with other members, preferring to leave the club almost immediately, not stopping to have a drink in the bar or to socialise with other members.

These members primarily cited negative critical service incidents that centred around the core services provided by the WHC and were concerned with having the appropriate facilities for their exercise regime. Core Service Failure, was therefore, the most frequent negative service incident category reported by these ex-members, at 22%, for terminating the relationship.

This finding tends to support the opinion that buyer dissatisfaction equals buyer disloyalty as promulgated by Anderson and Sullivan (1993); Gronroos (2000); and Zins (2001) amongst others. As members who were acutely aware of the competitive alternatives, they may also have inferred from the negative service incidents reported that their service expectations had been negatively dis-confirmed. To compound this problem, as a mobile workforce with insignificant termination costs, the Train & Go respondents also had the ability to switch to an increasing number of service providers as and when they pleased, thus supporting the findings of Hillsdon (2001).

In addition, the respondents in this typology, as with the Body Beautiful group, tended not to complain about a negative service incident to management and staff. Indeed, this low complaining rate, at 17%, may also have been indicative of a transitory buyer-seller relationship, were members neither want, nor feel they have the opportunity to communicate with the WHC staff, as the findings from research cycle two suggest. However, a contradictory view of the data also needs to be considered. These respondents also had one the lowest average number of reported incidents by typology, at 2.31, which may also be an indication of their general satisfaction with the WHC. It could be argued that perhaps these ex-members' expectations were not negatively dis-confirmed as stated above, but, that they were essentially satisfied with the service provision, but dissatisfied with specific service incidents. As Mittal and Lassar (1998) and Rowley and Dawes (2000) found, buyer satisfaction does not always equate to buyer loyalty. These mobile respondents with no termination costs, would therefore, remain predisposed to switching to the competitive alternatives in order to get the best health and fitness deal available.

These respondents also indicated that they were sensitive to price related issues, with 17% of them citing this switching category as part of the reason they left the club. Again, this group had insignificant termination costs, and a wide variety of competitive alternatives, which as Morgan and Hunt (1994) point out, is a recipe for having a modest level of commitment between buyer and seller.

The respondent quote below provides a good example of the key theme in the critical service incidents reported by ex-members from this typology.

These respondents were primarily concerned the about getting access to core services, and having the best possible facilities to exercise, and they expected the WHC to provide them. If the club did not provide them with the relationship benefits they demanded, then termination of membership would result. The concern of respondents had produced inferences about the nature of the relationship benefits and their service expectations, and produced effects such as a lack of commitment to maintaining their membership, and this had resulted in the consequential outcome of relationship termination. The influence of the negative service incident on the buyer-seller relationship is presented in the following respondent quote;

"It was always busy in the pool and you cant do lane swimming **(negative inference-negative disconfirmation of service expectations).** *The length of the pool isn't very good and I wanted access to a larger pool and wanted to use spinning bikes, but they didn't have any* **(negative inference-lack of relationship benefits leading to negative effect-lack of commitment)** *so I went to the Littledown Club* **(negative consequential outcome-switching).**

Ex-member, Train & Go.

6.3.4 Keen Amateurs – pushing for superior service

As described in the findings for research cycle one, and by the management during the group discussion in research cycle two, these members were the advocates (Christopher et al, 1991) or the *"bread and butter"* members of the club as the Director of Tennis stated.

This typology were seen as having the highest relative attitude-behaviour (Dick and Basu, 1994) profile of all of the member groups. The findings from previous cycles suggested these members were primarily concerned with the high number of new members at the club, and the pressure that this put on access to tennis courts and coaching. The findings from this cycle support those of research cycles one and two, with ex-members citing Core Service Failure (30%), in the form of problems experienced booking tennis courts, and tennis coaching. These ex-members had one of the highest mean scores, at 3.33, for the number of service switching categories reported during a service incident. So they had encountered a negative service incident, but equally had sought to resolve their problems by complaining at a rate of one in two. Unfortunately for them, the service incident was often not resolved to their satisfaction, and they had subsequently cited a poor Response to Failed Service (17%) as the second most frequent reason for leaving the WHC.

The concerns of capacity at the WHC and the unresponsiveness of staff are highlighted in the two respondent quotes below. The first respondent reported a negative incident that concerned the core service failure of not being able to book a tennis coaching session and the response from coaches. This had produced inferences about the lack of communication between themselves and the tennis coach, which had negatively disconfirmed his service expectations. Morgan and Hunt (1994) found that poor communication between buyer and seller would have a negative impact on relationship trust, which in turn, can lead to uncertainty in the relationship. This negative service incident had produced the effect of a lack of trust and commitment towards the club and produced the consequential outcome of termination of the relationship. The respondent stated that;

"I joined the club for one to one tennis coaching. I basically spent £150 for nothing! **(negative inference-negative disconfirmation of service expectations).** *The coaches were always too busy* **(negative incident).** *I chased them three times* **(negative effect-uncertainty/lack of trust)** *and had a message left on my answer machine weeks later* **(negative inference-poor communication).** *I came to the conclusion that they didn't want to earn any extra money, so I canceled my membership after a month* **(negative consequential outcome-termination).** *I was promised one to one coaching, and I didn't get it* **(negative inference-negative disconfirmation of service expectations).** *It was a complete waste of time* **(negative effect-dissatisfaction).**

Ex-member, Keen Amateur

The second respondent reported a negative incident again concerning the core service failure of not being able to book a tennis coaching session and the response from coaches. This service incident was complex and consisted of seven service switching categories being used in what Keaveney (1995) would describe as being a catastrophic service incident failure. This particular incident had caused the Chief Executive much concern and was also the stimulus to moving the third cycle of research forward by some months. This negative incident had produced buyer inferences about the negative disconfirmation of their service expectations in terms of receiving professional tennis coaching and the lack of a service orientation of the tennis coaches. This service incident had also produced the effect of a lack of trust in the club and whilst the member initially acquiesced to the wishes of the tennis coach, the uncertainty in the relationship quickly produced the consequential outcome of termination of the relationship. The respondent stated that;

"We joined because my wife wanted to improve her tennis game. We paid for her to go on a course with (name-tennis coach) **(negative incident).** *But (name-tennis coach) couldn't make up his mind about which group to put her in, and the club had now overbooked the course* **(negative inference-disconfirmation of service expectations).** *We paid £500 for a course and ended up waiting for the next quarter (year) which left my wife isolated* **(negative effect-acquiescence/uncertainty)** *and unable to play* **(negative effect-lack of trust).** *We mentioned this to (name-tennis coach) and I don't think he took this seriously* **(negative inference-disconfirmation of service expectations).** *This was crucial in our decision to leave"* **(negative consequential outcome-termination).**

Ex-member, Keen Amateur

6.3.5 LTA stars – talented but temperamental

As mentioned in the Methodology Chapter this group were not interviewed in research cycle two due to the age conditions stipulated by the Market Research Society. However, in this cycle, a more generous time scale for completion of the data collection was provided, so those LTA Stars who were over 18 years of age were contacted and interviewed. For those ex-members under this age limit, the parent was interviewed to identify the reasons for terminating the relationship.

The child to teenagers group were identified in 4.2.5 as having a high relative attitude-behaviour (Dick and Basu, 1994) and were subsequently classified as "loyal" members of the WHC. Whilst these young members had been targeted by the LTA as a key strategic customer group, the management and staff of the WHC were less convinced about the long-term loyalty credentials of these talented but temperamental members. Certainly they were a high profile group within the club, and were catered for with a wide range of top class coaching, competitive tennis events, and the widening of access and participation initiatives, all backed up with a significant amount of financial support. So the question arises as to why these members, who received an impressive array of relationship benefits, would ever want to leave the club? In fact, the respondents from this group were mainly concerned with the fact that once they had stopped playing high "performance" competitive tennis, the benefit to maintaining the relationship diminished, and they had subsequently lost the incentive to remain with the club.

The most frequent negative service incident reported by respondents were with regard to Core Service Failure (20%) in the form of having little or no opportunity to play alternative racquet sports at the WHC. This was because the WHC had banned other "competing" racquet sports (with the exception of squash) at the WHC. This was seen by respondents as unfair, and caused a significant degree of conflict between themselves and the club, to such an extent, that the membership was terminated and alternative service providers were sought.

The reasons that ex-members from this typology stopped their pursuit of glory in competitive tennis were two-fold. Firstly, some of them had become bored with playing so much tennis and wanted to play other racquets sports like badminton, but that this sport was forbidden by the LTA, who wanted to develop tennis and not a competeing racquet sport. As such, the relationship benefits (Morgan and Hunt, 1994) the WHC offered had significantly reduced, therefore, alternative service providers where this conflict of interests was not an issue were sought. Secondly, and perhaps more importantly, several respondents stated that they had not continued to meet the high standards of the WHC "Performance Squad" and were subsequently discarded by the Director of Tennis, the coaches and administrative staff. Once again, poor communication between buyer and seller was central to the deterioration of the relationship, as Morgan and Hunt (1994) posited. Several respondents mentioned the poor communication process during a service incident, and that these specific behaviours had influenced their decision to terminate the relationship. Once again, these respondents felt uncertain about their future relationship, and as Coulson (1998) stated, this provided members with an opportunity to evaluate the past, present and future relationship in terms of their experiential trust. In these cases, this evaluation process had prompted the LTA Stars to terminate their relationship with the WHC.

Even with the impressive relationship benefits offered by the club, these members were more likely, at 80%, to terminate the relationship following a negative service incident than any other typology.

These ex-members (and their parents) also had one of the highest complaining rates, compared to the other typologies, with 60% of respondents taking up their grievance with a member of staff or management.

The sentiment of the LTA Stars is presented in the two respondent quotes below. The first respondent reported a negative incident that concerned a failed service encounter with the Director of Tennis. The respondent's son was in the WHC Performance Squad, and yet for some unknown reason was dropped from this initiative. The respondent had had tried to get the situation resolved but this process produced inferences about the lack of communication between herself and the management, and the alignment in the shared values of herself and the club. These inferences lead to effects such as a lack of trust, which again, were found by Morgan and Hunt (1994) to be based on poor communication between buyer and seller. This incident also produced the effect of uncertainty in the relationship that subsequently lead to the consequential outcome of termination. The influence of the negative service incident on the buyer is demonstrated in the following respondent quote;

"There needed to be more information **(negative inference-lack of communication)** *about boys tournaments and performance training, specifically for the junior boys. The coaches seemed too busy to communicate with individuals* **(negative inference-lack of communication).** *My son was in the Performance Squad for a while, but then wasn't selected* **(negative incident)**...*There was no information to say why he wasn't selected, no feedback on his performance* **(negative effect-uncertainty)** *and how to improve.*

I mentioned this to (Name- Director of Tennis) but nothing happened **(negative effect-functional conflict).** *It seemed that if you didn't have the right face or the money,* then *they weren't interested* **(negative inference-lack of shared values).**

Parent of Ex-LTA Star

The second example again showed the lack of alternative sports for previous members of the WHC Performance Squad. Again, this respondent cited a negative incident where she was dropped from the squad by the Director of Tennis. This incident produced inferences about the benefits of maintaining the relationship, particularly with a club whose value system was devoted to developing prodigious tennis talent for the future of British tennis. This had lead to the effects of the respondent becoming disillusioned and dissatisfied with the club, which negated their commitment to the relationship that subsequently lead to the consequential outcome of switching to another service provider. The influence of the negative service incident on the buyer is demonstrated in the following respondent quote;

"After leaving the Performance Squad **(negative incident),** *I was unhappy* **(negative effect-dissatisfaction)** *because I wasn't allowed to play badminton because of the LTA* **(negative inference-alignment in shared values).** *So I had to go to the Littledown Club to play"* **(negative consequential outcome-switching).**

6.3.6 The old school – raising the white flag of surrender!

As mentioned described in 4.2.1, this group of people had been the members and guardians of the old West Hants Lawn Tennis Club before the involvement of the LTA.

The Resignations Report identified only a small number of members from this typology, from which, only three ex-members formed part of the research for this cycle. However, their concerns echoed those vocal members identified in research cycle one and those selected for in-depth interview in research cycle two. These ex-members were concerned that they had lost control of the WHC, and as a result, had suffered from a degree of inequity in the relationship and had a mis-alignment in shared values (Morgan and Hunt, 1994; Coulson, 1998).

Overall, these ex-members reported Price (20%), Core Service Failure (20%) and Response to Failed Service (20%) as the most frequent reasons to terminate the relationship. They also had one of the highest mean number of service switching incidents reported, at 3.33, during negative incident. Once again, access to facilities, the direction of the club and unresponsive staff were the contributory reasons why two out of the three respondents left the club. They had complained to management and staff, at a rate of nearly 67%, about these problems and the lack of shared values between themselves and the new WHC. The fact that these members complained more than any other typology may be indicative of the functional conflict, identified by Morgan and Hunt (1994), whereby reporting fault in the service provision can be regarded as a means of making things better (Farrell et al, 2000). Alternatively, complaint making could also be seen as a means of ensuring that things change, and the future relationship is protected. It may also be the case that having significant, but intangible termination costs, in the form of a strong psychological attachment (Butler et al, 2001) to the WHC may also make the relationship convenient and predictable as Bagozzi (1995); Bitner (1995) and Lee and Cuningham (2001) stated.

With regard to the three ex-members who featured in this research cycle, their commitment had fallen to such an extent, that as Ganesan (1994) and McDonald (1999) pointed out, the only real outcome of an inequitable and spurious relationship was that it would be terminated by the "loser" (Szmigin and Bourne, 1998). In a sense, these ex-members had fought hard to adapt to the changes within their new principality, but had valiantly raised the white flag of surrender before seeking a new relationship with an alternative service provider who could equitably meet their needs and expectations.

The feelings of this small group of respondents is summed up by the respondent quote below. In this example, the respondent cited a negative incident where he met with the tennis coaches discuss the inadequate playing time for tennis and the way the club was being run. The respondent indicated how a change in the service concept had resulted in a flood of new members and declining access to tennis facilities had consequently resulted in them terminating the relationship. This incident produced inferences about the benefits of maintaining the relationship, particularly with a club whose value system was devoted to developing prodigious tennis talent for the future of British tennis hierarchy. This had lead to the effects of the respondent becoming disillusioned and dissatisfied with the club, which negated their commitment to the club that subsequently lead to the consequential outcome of switching to another service provider.

The influence of the negative service incident on the buyer is demonstrated in the following respondent quote;

"I've played tennis at the West Hants for 10yrs and in that time it has gone from one of the finest clubs in the country to being a kids club **(negative inference-misaligment in shared values).** *It's now a training ground for the LTA* **(negative inference-misaligment in shared values)** *and the senior members have got a raw deal from the new club* **(negative inference-relationship inequity).** *There are too many people trying to play on too few courts* **(negative inference-reduced relationship benefits).** *I discussed this with the coaches* **(negative incident),** *but they think that the club is run for their benefit club* **(negative inference-misaligment in shared values).** *Also, there's no point trying to play tennis for 1 hour, it's not enough time. I needed two hours, so I went to Esporta* **(negative consequential outcome-switching).**

Ex-member, The Old School.

6.3.7 The influence of the critical service incident on the buyer-seller relationship: consolidating the findings of three research cycles

The findings from research cycle one were presented in Table 2 in 4.4 and research cycle three in Table 3 in 5.2.9 and these have now been updated, revised or simply had the gaps filled in following further analysis and reflection on the findings of research cycle three. The revised findings of the influence of the critical service incident on the buyer-seller relationship have been marked in bold and presented in Table 7 below. Overall, the major changes have seen the LTA Stars down-graded in terms of their loyalty profile. These young members, whilst having a high level of purchase activity, do not appear to have a particularly high relative attitude, or if they did, they appeared to have had a rather short-term outlook on their relationship with the WHC. As long as the club continued to provide the impressive relationship benefits, they would remain satisfied, but as we have seen from those respondents who were dropped from the Performance Squad, they quickly became disillusioned with the lack of sporting activities the club had to offer them as relationship partners. In addition to citing negative service incidents relating to the lack of alternative sports (benefits) and the banning of the playing of badminton by the LTA through the WHC (shared values), respondents also mentioned the poor communication between themselves and the staff during the process of the incident. This finding continued to support the view of other respondents, across all three research cycles, that communication between the buyer and seller only added to a sense of distrust between them. These issues, allied to the fact they were a mobile group with insignificant termination costs, often meant that these members would seek competitive alternatives in the local market place.

Table 7: The influence of the critical service incident on the buyer-seller relationship: consolidating the findings of three research cycles.

Critical Service Incident Construct	**The Old School**	**Keen Amateurs**	**Body Beautiful**	**Train & Go**	**LTA Stars**
Pricing: • Price sensitive	Primary		Primary	Secondary	
Inconvenience					
Core Service Failure: • Capacity issues • Limited/reduced relationship benefits	Primary	Primary	Secondary	Primary	Primary
Service Encounter Failure: • Poor communication • Unresponsive staff		Secondary			
Response to Service Failure: • Poor communication • Arguments with staff	Primary	Secondary			
Competitors				Secondary	Secondary

Ethical Problems: • Service concept • Mis-aligned values • Member conflict	Secondary		Secondary		Secondary
Involuntary				Secondary	
Other: • Inequity in relationship For The Old School	Primary				

Buyer Inferences	**The Old School**	**Keen Amateurs**	**Body Beautiful**	**Train & Go**	**LTA Stars**
Termination Costs	Intangible, but significant	Intangible, not significant	None	None	None
Relationship Benefits	Diminished Due to the LTA	Increased due to first class facilities	First class Facilities/ Fashionable	First class Facilities	First class facilities/ funding
Share Values	Mis-aligned	Now aligned	Aligned	Aligned	Aligned
Communication	Poor	Poor	Poor	Poor	Poor
Opportunistic Behaviour	Yes	No	No	No	No
Service Expectations	Negatively Disconfirmed	Positively Disconfirmed	Negatively Disconfirmed	Negatively Disconfirmed	
Other	Inequity				

Buyer Effects	**The Old School**	**Keen Amateurs**	**Body Beautiful**	**Train & Go**	**LTA Stars**
Trust	Destroyed	Experiential	Calculative	Calculative	Calculative
Commitment	Calculative	Dedicated	Calculative	Calculative	Calculative
Acquiescence	Medium	High	Medium	Medium	Low
Propensity to Leave	High	Low	Medium	High	High
Cooperation	Low	High	Medium	Medium	Medium
Functional Conflict	Dysfunctional	Functional	Functional	Functional	Functional
Uncertainty	High	Low	Medium	Low	Medium
Satisfaction	Low	Culmulative	Medium	Medium	High
Complaining Activity	High	High	Low	Low	High

Buyer Consequences	**The Old School**	**Keen Amateurs**	**Body Beautiful**	**Train & Go**	**LTA Stars**
Relative Attitude	Low	High	Medium	Medium	Medium
Purchase Behaviour	High	High	High	Medium	High
Switching Behaviour	Low	Low	Medium	High	Medium

6.4.1 Presenting, discussing and reflecting on the findings

Having previously examined the service environment in research cycle one, and member and management opinions in research cycle two, the emphasis of the third research cycle was to investigate ex-members reasons for leaving the club. For the presentation of the findings, the Chief Executive had invited the 'Administration Manager and the Membership Services Manager as they both had responsibilities for managing current and ex-members of the club.

Unfortunately, the Chief Executive was feeling unwell on the day and had postponed all of his other meetings, with the exception of this one. Unfortunately, his illness really set a rather confrontational tone for the meeting. There was a fair amount of information presented and discussed in this meeting, and in hindsight, it would have been better to have sent the report to him a few days prior to the meeting.

This would have enabled him to have had more time to digest the findings and provide a considered response, as well as being in better health. Having said that, his desire to know the outcome of the research was shown in his attendance at the meeting, particularly as he had canceled all other meetings that day. This was mainly because he had another managers meeting the following week and wanted to circulate the findings to them for consideration.

We reviewed the primary reasons that members had left the club, focussing on those service incidents that related to core service failure and capacity management as central issues. We also discussed the dual role that the club had in service provision, that was, the role of developing tennis talent with for LTA, and the commercial side of the business that focused primarily on health and fitness provision. The Chief Executive was disappointed that some LTA Stars had left because they were unable to play badminton, and confirmed that there were clear tensions in the dual role of the WHC.

We discussed the 16 members who left the club due to a negative service incident, and that more than half of them complained about these issues. At this point, all of the management started to get defensive. The Chief Executive stated that we were looking at a small number of members, who in turn, were a small percentage of the 101 members who had left the club that month, and that they were an even smaller percentage of the 3,000 members they had remaining on the books. The researcher countered this by saying that these 16 members had terminated the relationship due to a range of negative service incidents, that were complex in nature and that this was the purpose of this research cycle. The team then took this point on board, but only after some challenging discussion.

The Administration Manager and the Membership Services Manager were keen to go into much more detail about the nine complaining members. They had knowledge of most of these members and stated that several of them had written complimentary letters to the club on resignation of their membership. They were surprised then, that members had stated that a negative service incident(s) had influenced their decision to leave.

The Administration Manager was very critical of the research findings and said that *"when you ask people to think of something negative, they will, and it seems unfair to do this when they have written to me saying how good the club was. It makes this research a waste of time"*. The researcher countered this by saying that he asked balanced questions, that identified both positive and negative service incidents, but, that there did seem to be some conflict in what members were saying. The Administration Manager disagreed and said that this research provided a valuable insight into the reasons why members had terminated their membership, saying that *"most clubs focus entirely on member acquisition and that they should really be focusing on customer retention"*. We debated this point further, and it was a surprise to see the Chief Executive firmly positioned back in the in the member acquisition camp, stating that growth and full capacity were of paramount importance. Perhaps the most recognizable feature of the meeting was the pendulum like learning of the Chief Executive. Over the course of this research he had wanted an honest appraisal of his business and had been keen to learn from the research, discuss the findings, and implement appropriate actions. This learning process has been progressive and ongoing during cycles one and two, and to an extent in cycle three. However, during these research cycles there had been occasions when he had tended to become defensive and his learning had regressed. In the main, this process had lead to an advancement toward tackling and solving difficult service issues, and on other isolated occasions, he had retrenched into a mindset that characterised our first meeting. That was, that it was membership numbers that really counted, not service and building long term and profitable relationships.

We discussed in more depth, the member typologies, and all of the managers stated that it was difficult to recognise different types of members and that these descriptions would help him discriminate between them. In particular, the identification how different member typologies reported and reacted to different service incidents would help in service incident and recovery situations. The Chief Executive also stated that the typological description of the club members would also help him and his team to focus their future member recruitment in order to get the right mix of members in the club. He was particularly keep on increasing the number of Train & Go members because they brought a lot of youthful energy to the club, compared to the older members, and that because they didn't complain much, they were *"easier to manage"*.

The researcher emphasised the point that with a club at full capacity, service incidents and recovery could be tailored to the more profitable members groups, particularly as capacity problems were such a big problem.

This issue was unresolved and the Chief Executive said he would need longer to think about it and wanted to discuss this with his wider management team. The management team also said that whilst they would like to have a service quality mindset, they had to deal with some very unpleasant people. The Chief Executive said that now the business was at full capacity, he was trying to instill a service quality mentality in the club and that this type of research gave him some *"good ammunition"* to present to his Board of Management. He was particularly critical of the reception and catering staff, where huge improvement could be made and went on to say that the Investors in People Scheme could provide a useful opportunity to help re-train staff. For example the Catering Manager was good at providing a basic service but not a quality one and that the reception staff were not qualified to deal with member complaints, yet they managed to get themselves involved in this type of activity without being qualified.

We ended the meeting with the Chief Executive summarising the researcher's involvement with the club over three research cycles. He asked me to provide an overview of the main points of the research, that was critical service incidents relating to; issues of capacity, service incident management, communications, and using the member loyalty typologies; all of which should be integrated within the Investors in People Scheme. In particular, getting on board the self employed tennis coaches who were an important point of member contact, yet also proved to be a problematic one. The Chief Executive stated that the research over three cycles had helped shape his understanding of his requirements of the Investors in People Scheme. He went on to say that all of the findings had been passed onto the consultant and that this information would help shape the aim and objectives of this programme in the coming six months.

The researcher was left with the impression that the WHC were a caring organisation, and that they had been through some difficult times during the past three years. But operating at full capacity had put strain on the management and staff, and this combined with some very demanding clientele, sometimes made them abrupt in their service interactions.

Chapter 7: A reflection on the action learning of the Chief Executive

"If you tell me, I will listen. If you show me I will see. But if you let me experience, I will learn".

Lao-tzu, Chinese Philosopher, circa 490 BC

7.1 Overview

One of the primary objectives of the action research paradigm is the enabling of change through the Lewinian process of iterative planning, action, change, data collection, observation and reflection on change outcomes. As such, many researchers in the field of management research would argue that it is only through the adoption of a pragmatic philosophy, and the use of an action research procedure, that real insight into the phenomena under investigation can be found (Sanford, 1981; Elliot, 1991; Ellis and Kiely, 2000). However, this action-change-reflection cycle can only act as a facilitator to change. The real driving force that enables the change process is the "learning" that has resulted from the action-change-reflection cycle, and in this context, *"learning is an explicit objective in action research"* Reason and Bradury (2001). In addition to this, much of the literature on action learning (Revans, 1982, 1998; Mumford, 1985; Pedler, 1997; Kiely and Ellis, 1999) suggests that one of the underpinning features that contributes to an effective learning environment is that learners are often working in a contextual setting that is characterised by adversity, conflict, and the need to solve complex managerial problems.

The previous chapters in this thesis have attempted to provide some insight into the influence that critical service incidents have had on the buyer-seller relationship. However, they have also described an organisation in transition, in flux and in conflict. As such, the contextual setting can be described as one of adversity, and therefore, provided an ideal opportunity for action learning to take place.

This reflective chapter, therefore, sets out to consider the action learning undertaken by the Chief Executive (CE) of the WHC, over three cycles of action, change and reflection. The review of action learning literature suggests that learning is a process whereby an individual raises their levels of consciousness of a problem through an iterative process of action, reflection, insightful questioning and assumption breaking. Data on these variables was captured during 6 peer consultancy meetings with the CE, consisting of some 11 hours worth of discussion, spread over a period of 15 months. In addition to these formal meetings, the researcher was also involved in many short meetings and telephone conversations with the CE, that provided more anecdotal data.

This chapter will also challenge one of the fundamental assumptions of action learning, which many advocates of the paradigm hold to be true. That is, that the action learning process is a group activity, often consisting of four or five managers whose primary purpose is to confront, challenge, act and reflect on new and improved knowledge through action.

However, what is not in dispute is the efficacy of this large set process, but that, the recurring action–change-reflection-learning cycle can only be undertaken as a group activity.

7.2 Action learning facilitated by peer consultancy

Whilst much of the literature in this area promulgates the group process, the leading light of this paradigm, Reg Revans, has argued against a *formulaic approach to the* action learning process. He stated that his writings on the subject are no more than a guide to encourage managers and academics to initiate a process of learning from doing, in the same way that Cicero said *"it is only action that gives value"* (www.utm.edu/cicero). Revans (1998, p.74) went on to argue that traditional academic learning was rigid, regulated and in many ways narrow minded, and that he considered action learning as an exploration into the unknown. As a leading advocate of this new era in management learning, one of his fears for its future lay in his attitude toward traditional learning. He went on to say that *"...the day action learning is said to be enshrined within its own encyclopedia will be the day to read out its obituary"*. Whilst there are many merits in following the coherent and established theories and practices of action learning, one must guard against it being preclusive of new practices and prescriptive in the use of established knowledge and methods. Indeed, Smith and O'Neil (2003, p.63) state that *"action learning appears in numerous variants"* whilst Zuber-Skerrit (2002, p.114) argues that each action learning programme is distinctive due to such factors as; the nature of the problem, the problem context, the organisational setting and culture.

These authors go on to argue for continued variants in action learning in order to "push the envelope" in an emerging paradigm that De Loo, Verstegen and Pilkington (2002) consider limited in terms of creativity in the method. Any attempt, therefore, to broaden the horizon and challenge the fundamental assumptions of action learning must be embraced as an attempt to move the paradigm forward, both conceptually and empirically. The process of action learning used in this action research inquiry ensured against prescription, in part, whereby the action learning "set" consisted of two people, the Chief Executive of the WHC and the researcher. As previously mentioned, this approach is at odds with the widely accepted notion that action learning is a large group activity. Whilst it is acknowledged that problems can often be best investigated using the abilities of different managers and staff in sets often consisting of four to eight persons, this requirement is limiting in terms of the type of businesses that could use this method. For example, the sole trader and small business manager would be excluded from any form of action learning initiative, simply because they could not meet the large set criteria stipulated above. Much of the literature suggests that the managerial learning experience is not only personal, but individualistic; Isabella (1993); Beaty, Lawson, Bourner and O'Hara (1997); De Loo and Verstegen (2001); Smith and O'Neil (2003). Yet this requirement on set numbers seems rather at odds with the nature of small businesses in particular.

In support of the "small set" approach, De Loo and Verstegen (2001, p.331) present some of the difficulties involved in conducting action learning in a large group context.

They argue that, at times, the quality of group discussion, reflection and learning, is limited due to the group dynamics, and in particular, group think and risky-shift phenomenon. They cite many examples of where action learning groups suffered because of an overt willingness by members to *"conform"* to the group norm, as they did not wish to express *"unpopular or critical views"*. As a result, the group tended toward conformity in action learning workshops, rather than have a full and frank discussion of divergent perspectives on problem resolution. De Loo and Verstegen (2001) go on to point out that risky-shift phenomena, is in contrast, equally subject to bias, as group members seek riskier solutions to a problem than they would naturally do if confronted with the same problem by themselves. Shaw (1981, p.79) summarises the damaging effects of large action learning groups when stating that;

"group discussion often produces group polarization effects, leading to either more risky or more cautious group decisions than made by the average group member prior to the discussion".

In support of this proposition, De Loo, Verstegen and Pilkington (2002, p.246) also question the value of large set action learning groups when questioning whether the sum of group achievements are equal to the sum of what its individual members could achieve. In his paper, Organizing Reflection, Vince (2002, p.69) describes a variety of processes to incorporate reflection as an enabler to learning and change. He states that "Peer Consultancy" can be considered as a comparable method to enable the action learning process, whereby one person presents an issue and one person consults on the issue. He goes on to say that this approach is often a *"powerful one for individuals"* in their action-change-reflection experience. Brockbank, McGill and Beech (2002, p.22) also argue that action learning can take place outside of the large learning set, by the process of "reflective dialogue". This involves the learner making sense of their actions by reflecting on their previous assumptions, and new ways of thinking, by engaging in discussion with other people, such as other managers and staff. In this case, the researcher acted as the peer consultant (Vince, 2002) who gathered data, provided analysis and recommendations, and acted as a sounding board for the CE whereby action was conceived and change initiatives were set in motion. A process of open and reflective dialogue between the CE and the researcher ensured the peer consultancy set considered the success or failure of action and the success or failure of subsequent change initiatives.

Whilst the use of the large group set for the action inquiry had been discounted in favour of peer consultancy, many of the fundamental elements of the action learning paradigm were used as a guide during the action learning process, that is;

- that there was an attempt to resolve a problem about which no single course of action was justified

- that a manager changed their observable behaviour by reflecting on their action

- that questions were increasingly insightful, based on action reflection and outcome

- that adaptation, or problem resolution was achieved by learning.

These elements will be discussed in more detail below.

7.3 Resolving a problem where no single course of action was justified

At the early stages of research cycle one, the CE was unsure about the problem at hand, never mind the possible solutions to the problem. This tends to be in line with the literature, as many authors discussed the emergent nature of problem investigation and insight through action learning (Beaty et al, 1997; Johnson, 1998; Zuber-Skerrit, 2002). The CE was a strong, dominant, no frills leader who in his own words said that he ran *"a tight ship and knew pretty much everything that is going on"* in his club. He had certainly reflected on two years of ongoing, and at times, confrontational problems with his members. Most of these problems had been caused by limited capacity for indoor tennis courts and a clash of cultures between the old and new members of the club. In our early discussions, during research cycle one, he gave me the impression that he wasn't really that concerned with the clash in customer cultures. He was very pragmatic in his approach to this issue and gave the impression that having in excess of 90% membership capacity, and an annual turnover of £400,000 per annum, provided him with a significant comfort zone in which to treat this type of service issue with a certain amount disdain.

He went onto say that;

"At the end of the day, if membership numbers remained high, then things must be going well...customer service is a secondary issue".

Chief Executive, peer consultancy meeting, 23rd March 2001

It begs the question then, as to why the CE entered into this peer consultancy arrangement? Kuczmarski and Kuczmarski (1995, p.58), in their work on leadership, provided some insight into this question. They argue that one of the primary responsibilities of organisational leaders was to "infuse" norms and values in the organisation in order to foster an increase in employee commitment, which in turn, should provide a basis for the delivery of superior customer satisfaction. The field notes at this time reflected a variety of rather ambiguous and sometimes contradictory reasons for this peer consultancy exercise, which as Ford and Ogilive (1997) point out, is particularly appropriate for an action learning approach.

What perhaps was not in dispute at this stage was the need for an alliance between the researcher and the CE. This alliance meant that the CE would provide access to the organisation for the researcher, and the researcher would provide the necessary information to identify and clarify service issues. In research cycle three, the CE explained that now the business was nearing capacity, he was trying to instill a service quality orientation in his management and staff, and that this type of action inquiry would provide him with *"some good ammunition"* to present to them.

In this way, the researcher provided an opportunity, through peer consultancy, for the CE to improve his *"ability to search for the unfamiliar"* (Koo 1999, p.89) and move the organisation toward a service orientation.

The primary purpose of research cycle one was to explore the service setting, and in particular, gain insight into the service provision and assess the type of critical service incidents that members reported. At this point both the CE and the researcher were open to any finding. But the researcher believed that after two years of change and conflict within the club, this action inquiry study would provide the CE with insight into the reasons for this conflict and a difficult change process. Research cycle two provided further insight into these questions by exploring, in-depth, both member and manager views of the service setting, and more specifically the influence that critical service incidents had on the buyer-seller relationship. In addition to this, research cycle three acted, again, a means to investigate service related issues, customer switching behaviour and more specifically, the influence of the negative service incident. Over the course of three action research cycles, recommendations such as; improving communication; using the word "member"; getting staff to become more friendly and introducing staff to the concept of the different member typologies were useful change management initiatives, from which the CE had learned about the WHC, the management and staff, and its members.

7.4 A change in observable behaviour by reflecting on action

Over the period of this action research inquiry, this factor was perhaps the most striking facet of the action learning process. From the initial meeting in March 2001, to the last in July 2002, the CE demonstrably changed not only his behaviour, but, his attitude toward the management of service issues, service incidents and his members of the WHC. The three quotes that have introduced each findings chapter have demonstrated a remarkable change in his approach. These quotes, are again shown below;

"At the end of the day, if membership numbers remain high, then things must be going well...customer service is a secondary issue".

Chief Executive, research cycle one, 23rd March 2001.

"After today's meeting we have to change our management strategy. We have been concerned with growing the business for the past two years, and we now have to focus on customer retention and delivery of a quality service".

Chief Executive, research cycle 2, 7th September 2001.

"We've had more members leave us last month than anticipated, and I'm interested in knowing if our customer service had anything to do with their decision to leave the club. I'm thinking about introducing the Investors in People Scheme and the findings of this research will help me".

Chief Executive, research cycle 3, 13th February 2002

The presentation of findings at the peer consultancy and Board of Management meetings acted as what Isabella (1993, p.18-19) described as a *"trigger event"*. That is, an event of such magnitude that its impact *"precipitates new behaviours and new thoughts by managers...as they try to understand what is happening"*. She goes on to say these events tend to throw into turmoil established ways of thinking and organisational routines to such an extent, that they bring the manager's mindset into *"the arena of change"*.

This transformational change normally exists in a context of uncertainty and insecurity, where the previous and established way of thinking and acting are called into question and result in the learner being uncomfortable and de-stabilised. Certainly this was the case with the findings of research cycle one and to a greater extent those of research cycle two, where the Chief Executive stated that the findings;

"were a real kick in the guts".

Chief Executive, peer consultancy meeting, 27th July 2001

At our first meeting in March 2001, the CE stated that his main focus was the generation of high membership numbers and that he would be surprised if the research would provide any new insights into the WHC. The findings of research cycles one and two called this mindset (Isabella, 1993) into question, as the CE had not conceptualised the member typologies, had not considered the real impact of inter-member conflict, and the poor communication between his staff and his members.

These findings not only came as a shock, but had de-stabilised his current thinking about the way he ran the WHC. However, Koo (1999) cites the work of Zuber-Skerrit who posits that this de-stabilisation process often occurs to action learners as they are encouraged to be self reflective, self critical and question their previously held assumptions. The recommendations on opening up communication channels, took a total of three peer consultancy meetings to convince the CE that this should be considered as a priority management decision, so that a more trusting relationship could be built between buyer and seller. This decision was taken, but, only after continual debate and reflection between the researcher, the CE and his management team. Perhaps the trigger event that clinched this debate was when the researcher played an audio tape of one respondent complaining about the level of communication, which left the management team in stunned silence.

Identifying a change of mindset in the CE was one thing, but, as Revans (1982) points out, for effective action learning to have taken place, managers must translate this new cognitive belief system into obvious, clear and palpable action by incorporating new practices into the organisation in an attempt to resolve their management problem. Culpan and Akcaoglu (2002, p.175) support this view by arguing that action learning is often regarded as a *"process of cognition and behaviour"* whereby managers are made aware of their own inner decision-making processes and how this will inform their assessment of the problem and the actions that they take as a result of this action-change-reflection cycle.

However, De Loo and Verstegen (2001, p.234) contend that in action learning situations, these cognitive and behavioural processes are *"nearly impossible to observe the extent to which the manager puts his newly acquired knowledge and abilities into practice"*. Yet the Board of Management Meeting in September 2001, provided an ideal opportunity for the researcher to observe both the cognition and behaviour elements of the action learning process at first hand. In consideration of poor feedback on communication between management, staff and members, the CE stated that new and previously existing communication channels between members and staff should be opened up, therefore, making a cognitive decision. He then instructed the Membership Services Manager to make changes in the quarterly WHC newsletter to advise members that their comments were always well received. He also instructed the Head of Reception to redesign and re-position the Member Comments Form; instructed the Health and Fitness Manager to order a notice board for Health and Fitness Members; and asked the Administration Manager to recruit new members for the previously defunct member user groups. In this instance, it was possible for the researcher to observe not only action, but action based on consideration of data (cognition) and behaviour in terms of the CE changing his approach to the communication processes and member contact points at the WHC.

This "taking action approach" supported the views of Zuber-Skerrit (2002, p.115) who suggests that action learners are more likely to act and implement the necessary changes to effect operational activities than non action learners. He went on to say that action learners often argue that *"so and so has convinced me that something should be done* *and that a possible solution may be..."* (p.118). As such, this followed the peer consultancy relationship that Vince (2002) identified, whereby the researcher acted as a consultant, providing objective knowledge, recommendations and feedback on discussions with the CE in order to effect the learner's cognition and behaviour. Brockbank, McGill and Beech (2002, p.14) also argue that successful organisations are the ones who *"build on this individual transformation"*. However this transformation in cognitive or behavioural factors will remain latent unless action through introducing new or revised organisational activities, and therefore reflective learning, have an output based on activity.

Whilst the work of Isabella (1993) and Brockbank et al (2002) consider the process of change from one mindset to another, they appear to indicate that this is a linear process, yet the findings of this study suggest otherwise. The field notes reflect that during the first and second cycles of research the CE had changed his thinking about the WHC, moving from a "numbers" to a "service quality" perspective. To an extent, this mindset continued during research cycle three. However, during the final meeting with the CE and two of his managers, the presentation of findings and the subsequent discussion, revolved around the small numbers of people leaving the WHC because of service related incidents. The CE put forward the argument that these members were only a small proportion of his overall membership, thus temporarily negating the transformational change in mindset that moved from member acquisition to delivering a quality service to members. The field notes reflect that the transformational change process was more pendulum like than linear, with the CE, moving from the old to the new mindset, only to be moved again to the new cognitive state. Over the course of this research the CE had wanted an honest appraisal of his business from someone outside of the organisation, and had been keen to learn from the research, discuss the findings and implement appropriate actions. This learning process had been progressive and ongoing during cycles one, two and three. However, during these cycles there had been occasions when he had tended to become defensive and his learning has regressed to pre-existing and comfortable cognitive patterns and behaviour. In the main, this action learning process had lead to an advancement toward tackling and solving difficult service incident issues. However, on other isolated occasions, he had retrenched into a mindset that characterised our first meeting, that was, a desire to keep membership numbers high, without much consideration of service quality and the need to build long term relationships with his members. Action learning and the associated cognitive and behavioural change, would therefore seem, not only to be a continual process of evaluation and reflection, but just as importantly, it is the consolidation and re-inforcement of the new mindset that is important to consolidate long-term change management initiatives.

7.5 Questions become increasingly insightful, based on reflection, action and outcome.

The level of questioning, as within the entire action inquiry, started from an emergent basis, before examining more specific categories of service failure and incidents. At the start of research cycle one, the questioning of the CE was rather vague and ambiguous and considered that areas of critical service incidents revolved around limited capacity and a clash in cultures between the old and the new members.

The findings from research cycle one laid the foundation stones for the inquiry in research cycles two and three. As a result, the questioning of the CE became more specific, more insightful and more in-depth, examining issues such as; the characteristics of the member typologies; How capacity problems could be alleviated? How communication between members and staff could be improved? How a more inclusive membership culture could be developed? These "how to" questions, were more progressive than those of the first cycle, but in many ways, were broadly descriptive of the problems and solutions to the problems identified at the WHC.

However, by research cycle three, the level of questioning by the CE had become a more insightful, and a more in-depth process in trying to understand "why" members terminated their relationship with the WHC and "how many" members had been influenced by negative critical service incidents. Smith and O'Neil (2003, p. 63) argue that this progressive questioning *"is critical...to continually explore and question suppositions by surfacing new insights and evolving fresh questions leading from our ignorance"*. Once again, this increasing depth of questioning was the result of another *"trigger event"* (Isabella, 1993) that occurred when a new family membership was cancelled after just one month into the new buyer-seller relationship. In this sense, the CE had taken this cancellation of membership as *"personalised ...as the event can touch the individuals sense of who they are, their job or their future"* Isabella (1993, p.19).

This event became personal, because in our peer consultancy meetings, the CE confirmed to the researcher that he had instilled in himself, and his managers and staff, that the WHC was now a family orientated club. So to have a new, and high value, family member cancel their membership after such a short period was a significant, confusing and de-stabilising event. The CE, as discussed in 3.7.1, subsequently moved the timing of the third cycle of research forward by 3 months. The questioning during the meeting centred around exploring and gain some depth of understanding as to "why" ex-members had left the club, in particular, whether;

- specific service incidents had resulted in members leaving
- poor customer service had made members leave
- the reasons for members who resigned in January 2002 were different to those annual renewal members leaving in April 2002
- pricing was part of members decision to leave.

7.6 Adaptation can only be achieved by learning

The review of action learning literature points out that adaptation and learning will produce a resolution to the problem under investigation. However, the time-scale of this action inquiry project meant that an assessment of "problem resolution" was not realistic. Certainly, some of the more tactical recommendations, based around opening up buyer-seller communication, the management of critical incidents and service recovery, capacity management, and using the member loyalty typologies, had provided useful sources of information from which to reflect, change and learn more about the service management of the WHC. However, assessment measures of the outcome of these tactical issues remain qualitative. Certainly, the CE discussed the introduction of these tactics, implemented some of them and reflected on their relative success or failure. In this way, adaptation at the tactical level was achieved in a relatively short time frame. However, the most significant adaptation in the way the WHC was managed was the introduction of a more strategic recommendation, that was, the Investors in People Scheme. The results of introducing this scheme are unlikely to be known for some considerable period, and so to say that this initiative had resulted in problem resolution would be somewhat premature. In this sense, problem identification, implementing change initiatives and assessing outcomes can be regarded as *"a journey which can be seen as a continuous and reflective learning process"* (Brockbank, McGill and Beech, 2002, p.1).

However, what can be determined from the discussion above is that a degree of transformational, action based, learning had occurred with the CE. This process occurs when learners consider their current thinking and practices in the light of action, change and reflection. Transformation, therefore, occurs where learners *"challenge existing patterns, thereby opening the door to creativity and innovation"* (Brockbank, McGill, Beech, 2002, p.10) which often results in an adaptation. This transformation is often referred to as double-loop learning, as first discussed by Argyris and Schon in 1974 (cited Reason and Bradbury, 2001), whereby learners question, their existing assumptions, so that double-loop learning is regarded as learning for transformation and often results in major organisational change.

In this instance, the movement from a "numbers" mindset to a "service orientation" mindset resulted in the CE instigating the Investors in People Scheme. Isabella (1993, p.19) also notes that action learners often take on what the latter author refers to as an *"evaluative mindset"* whereby they review the consequences of actions and events in order to assess the overall conclusions of the project. At the end of our last peer consultancy meeting, the CE reflected on some difficult times managing the WHC in the previous three years. Operating at full capacity had also put a strain on the management and staff, and this, combined with some very demanding members, sometimes created an environment in which critical service incidents flourished and had subsequently put the buyer-seller relationship under strain. He reflected on his transformational mindset from focusing on maximum profitability, to building long-term relationships through the provision of a quality service provision. The CE stated that the research over three cycles had helped him focus on the need to move from growth through member acquisition to providing a quality service, especially now that the club was operating at 100% capacity. He also stated that all of the findings had been passed onto the Investors in People consultant and that this information would help shape the aim and objectives of this programme in the coming 6 months. As Revans (1998, p.83) said *"there can be no learning without action and no action without learning"*. This action inquiry thesis has fulfilled both of these requirements during its exploration of the influence that critical service incidents had on the buyer-seller relationship.

Chapter 8: Discussion and Conclusions

"This is not the end. It is not even the beginning of the end. But it is perhaps, the end of the beginning".

Winston Churchill, British Prime Minister, 1942.

8.1 Overview

The primary requirements of this action inquiry research thesis were three-fold. Firstly, for the researcher to have a comprehensive understanding of the strategic implications of the study of critical service incidents at the WHC. Secondly, to make a substantive and original contribution knowledge and an informed contribution to the management practice. Thirdly, to have a thorough appreciation of implementation issues and have the ability to reflect on strategic change issues in the management of critical service incidents. In attempting to fulfil these requirements, this action inquiry thesis came up against two major problems in its exploration of the influence that critical service incidents had on the buyer-seller relationship. Firstly, that there was a relatively small bank of knowledge from which to draw upon whilst investigating the service incident in a relational context. This meant that the researcher had to draw upon a range of literature from the service marketing, relationship marketing and social exchange paradigms in order to produce a comprehensive review of literature. In essence, this meant that one was not looking for small gaps in established bodies of literature to make an original contribution, but, trying to "interpret" the established knowledge of the critical service incident in a relational context, so as to provide new evidence on a phenomenon that has been investigated by many service marketing researchers over many years. The second difficulty that the researcher faced, related to the use of an action inquiry process, in so far as, how does one make sense of a relationship marketing paradigm that is fragmented and still has questions raised over its efficacy in a practitioner context. However, as this thesis was firmly positioned in the best traditions of the action research paradigm, the influence of the critical service incident, on the buyer-seller relationship, had to be investigated through a process of collaborative co-inquiry, with cycles of action, change, implementation and reflection upon the action taken. Subsequently, sense simply had to be made of the relationship marketing paradigm, and in the end, the application of theory was successfully implemented in the context of practitioner action.

The three cycles of action research produced a rich and fertile landscape for the collection of data about "village life" (Silverman, 1993) at the WHC. The exploration of this landscape identified a range of service management issues that in themselves could have been investigated as a major subject area for study. For example; a changing organisational culture; issues concerning a new service concept; poor communication between members and management and staff; problems with capacity management; and conflict between different members with different views on how and what should be done at the WHC. One of the problems with exploratory research is that we do not know too much about the phenomena being investigated and that we have little or no information about how similar management problems have previously been solved. As discussed in the literature review only three studies were identified that considered the critical service incident in a relational context. So the essence of this exploratory study was to better comprehend the nature of the phenomena and attempt to make an original contribution to theory and practice.

In order to understand the nature of the phenomena under investigation, a range of literature was sourced in order to construct the conceptual framework discussed in 2.7.1. More specifically, the work of Flannagan (1954); Morgan and Hunt (1994); Dick and Basu (1994) and Keavney (1995) provided a context to consider the influence of the critical service incident on the buyer-seller relationship. The conceptual framework, therefore, argued that service incidents could result in buyer inferences, effects and consequences that, either strengthened the relationship leading toward buyer loyalty, or weakened, the relationship leading the buyer to switch to an alternative service provider.

The conceptual framework and the conclusions drawn from the research are discussed in more detail below, but in summary, this exploratory study concludes that the buyer-seller relationship is indeed a dynamic one, where the social bonds of trust and commitment are central to the quality and longevity of the partnership. This dynamic relationship is, however, subject to change, and this change can often be influenced by the processes and interactions found in those service incidents that naturally occur in a service environment.

There are, however, certain service activities or interactions that are regarded by buyers as out of the ordinary, so much so, that they become memorable and even critical to the development or maintenance of the relationship. The findings of this research suggest that these memorable and observable service incidents could create buyer inferences, such as, whether buyer-seller values are shared; and buyer effects, such as, satisfaction or dissatisfaction. However, the question of whether such incidents were "critical" enough to result in the consequential outcomes of buyer loyalty or termination produced mixed results. The review of service marketing literature suggested that critical service incidents summarily produced the consequential outcomes of loyalty or termination. The findings from this study suggest that with the exception of the catastrophic service failure, the service incident can produce separate inferences and effects, but that they may not readily produce the consequential outcomes of loyalty or cessation of the relationship. This thesis concludes that the reasons why service incidents do not necessarily produce these consequential relationship outcomes, may lie in the buyer's consideration of such factors as; the relationship benefits provided by the seller and a sense of shared values that leads to buyer acquiescence. It may also be the case that the tangible and intangible termination costs simply make the relationship worth maintaining from the buyers perspective, and therefore, they become more ambivalent to the influence of the positive incident and more tolerant of the influence negative service incident.

This thesis also concludes that the influence of the service incident on the buyer-seller relationship may, therefore, produce a change in buyer attitude and behaviour that indicates a "tendency" toward loyalty or termination, rather than a consequential outcome that is decisively related to buyer loyalty or termination. This phenomena has to an extent been described implicitly in services marketing literature, however, the findings of this research provide a more explicit discussion of this buyer-seller relationship process. This thesis also concludes that the buyer tolerance toward the service incident, particularly a negative one, produces a phenomenon that has been described by the researcher as "relationship elasticity". This phenomena occurs when the buyer makes an evaluative judgement, following a critical service incident, of the state of the relationship with their existing service provider, in relation to the competitive alternatives available to them. Whilst taking this line of inquiry further, the findings of the research suggested that the member typologies of the WHC have different tolerances to the critical service incident, and have therefore, different buyer-seller relationship elasticities.

As an exploratory study, the purpose of the investigation was to obtain some insight and familiarity into the critical service incident and its influence on the buyer-seller relationship, and to advance the knowledge and practice of the management of critical service incidents in a relational context. The next stage for the wider academic community is to consider the contributory variables and conditions that make one type of relationship more or less elastic than another, and to build and test appropriate theory. The development of the notion of a phenomena called relationship elasticity is beyond the remit of this study, but as Kiely and Ellis (1999, p.32) state, the action research process can often be considered as having no ending, and in this sense, this the researcher considers this thesis, not as an end to the investigative process, but merely an end to the beginning.

8.2 Do some service incidents naturally occur more often than others?

As mentioned in the chapter on methodology, this action research inquiry did not involve a reflective process of mutually exclusive research cycles, but combined the findings of each research cycle in order to consider the notion that multiple constructions of reality could exist (Green and Caulley, 1996, p. 154) when exploring the influence of the critical service incident on the buyer-seller relationship.

Bearing in mind that Silverman (1994, p.208) contends that bias can occur at any stage of the research process and that all data can be corrupted to some extent, and that as Edvardsson and Stranvik (2000) and Elliot (1991) amongst others point out, problems exist in the collection and classification of critical incident data. So the issue of whether some service incidents arise more often than others is an important one. In answer to this question, the researcher's pragmatic stance in the philosophical approach to this study needs to be re-addressed. A multi-method approach in research design sought to triangulate the findings and establish some form of convergent validity, by using different data sources and data collection methods across the research cycles. Through this process of triangulation, it was hoped that the findings on the naturally re-occurring service incidents would provide the reader with confidence and credibility.

So, did some critical service incidents naturally reoccur more often than others at the WHC? The simple answer is yes. Over a period of 15 months, four common themes in the critical incidents reported by members arose again and again following an iterative process of engagement with the WHC, its members and ex-members, analysis, interpretation and reflection on the data collected. These critical service incidents related, firstly to, core service failure in relation to capacity issues, limited access and reduced relationship benefits. Secondly, to poor communication between the buyer and seller, particularly during service incidents and recovery situations. Thirdly, ethical problems associated with a change in the service concept, and a mis-alignment in shared values and perceived relationship inequity for The Old School members, that subsequently created a service environment that was characterised by inter-member conflict. Lastly, for the Train & Go and Body Beautiful members, a desire to have a high level of relationship benefits in the form of up to date health and fitness facilities at reasonable prices.

8.3 Are buyer and seller perspectives of the critical service incident different?

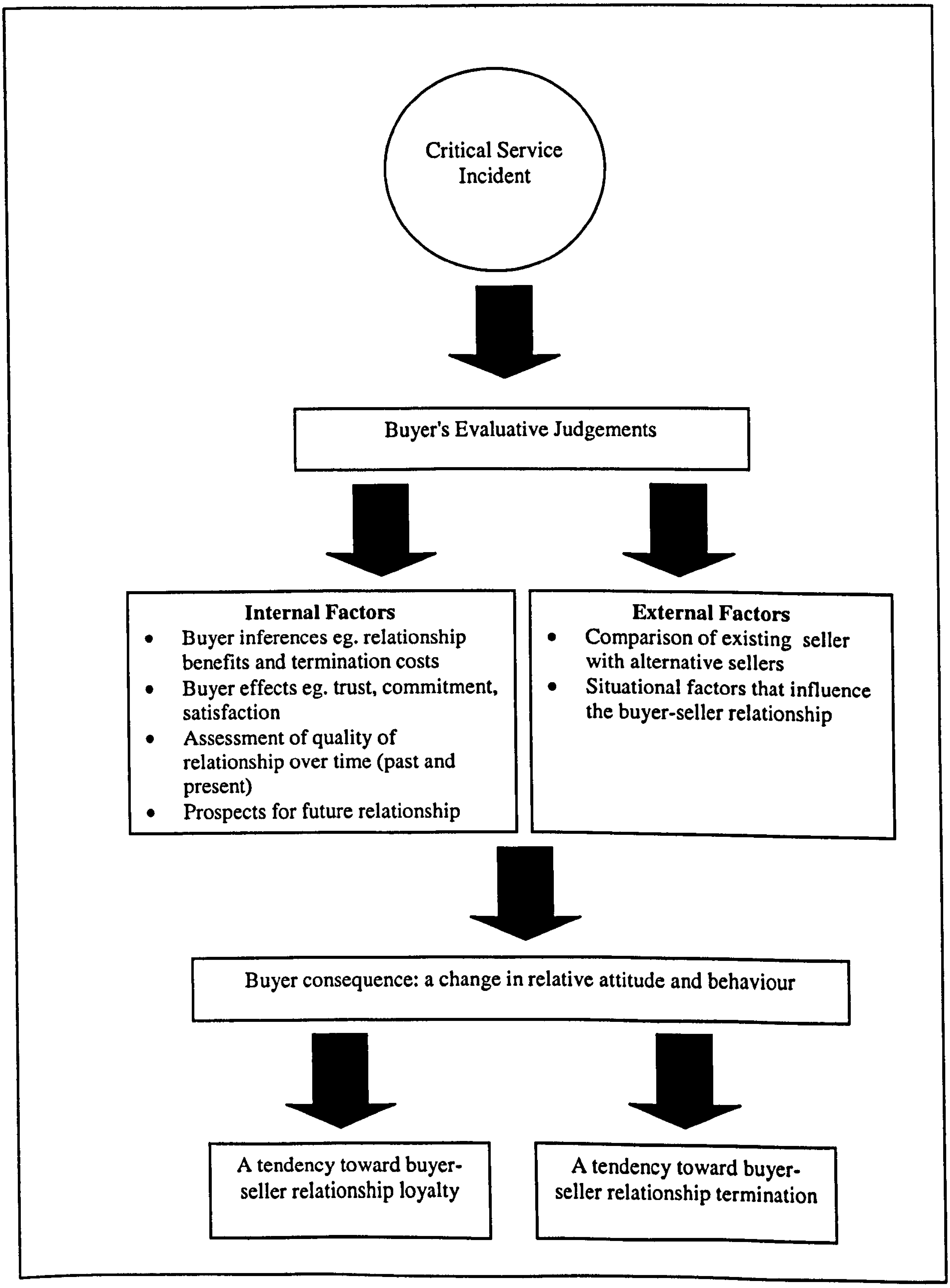
Chandon, Leo and Phillips (1996) and Johns (1999) argued that conducting research into both buyer and seller perspectives can provide a more comprehensive and holistic understanding of the interactive nature of the critical service incident, and would therefore, provide a basis on which to identify specific gaps in buyer and seller perceptions of the service incident.

The findings of the research suggested that both buyer and seller had very different, and often conflicting views, of the way the service incident influenced the relationship. The management of the WHC, as sellers, tended to support the attribute-based paradigm identified by Keavney (1995); Johns (1999) and Odekerken et al (2000) which states that buyers evaluate both the general service environment and specific service incidents separately when assessing the quality of service provided by the seller. Whilst this body of research had been investigated from the buyer perspective, the findings from this thesis would appear to support the proposition that the management of the WHC (the seller) advocated the attribute-based approach of service provision. As such, they considered specific service incidents with their members (the buyer) as divorced from the general service provision. Secondly, the management appeared to believe that those negative service incidents reported by members could be considered as separate from the core services they provided, and therefore, any resultant dissatisfaction with the WHC, could simply be considered 'transactional' as described by Yoon and Kim (2000).

The members of the WHC, on the other hand, had a different perspective of the critical service incident. In the first instance, they appeared to believe that there was no distinction between the core attributes of the service provision and the service incidents they experienced. The service incident, was therefore, considered to "be the service" and any negative service incident that had the effect of producing dissatisfaction with the WHC, would not be considered as "transactional" as described by Yoon and Kim (2000), but "relational", and have important implications for the future of the relationship as suggested by Bejou and Palmer (1998).

Secondly, it can be concluded that the service incident appeared to provide members with an opportunity to "evaluate" the state and quality of their relationship with the club. In essence, this evaluation consisted of a cognitive process whereby they assessed the internal and external factors that influence the relationship through a process incident-inference-effect and consequence. This conclusion draws parallels with the empirical work of Butcher, Sparks and O'Callaghan (2001) who found that buyers often went through an evaluative and judgmental process, in consideration of their loyalty toward a service provider. Their findings suggested that a buyer measured their loyalty against three core criteria, that was; their service incident satisfaction, perceived core service quality, and value for money. The findings of their research, to an extent, concur with the findings of this thesis, however, the evaluative judgements of members at the WHC also included further criteria. Firstly, the internal factors included an assessment of buyer inferences concerning, for example, relationship benefits, termination costs, service expectations. Secondly, the buyer effects, for example, trust, commitment and satisfaction. The third internal factor to be assessed by buyers was the quality of the relationship over time (past, present and future). The buyers evaluative judgements also included external factors such a comparison of the existing seller with the competitive alternatives and other external situational factors. The consequences of these cognitive judgements would ultimately lead to a change in the buyers relative attitude and behaviour, such that it tended toward loyalty or switching. The buyer's perception of the critical service incident is represented in Diagram 7 below.

Diagram 7: The Buyer Perception of the Critical Service Incident



8.4 Does a positive incident lead to buyer inferences, effects and the consequential outcome of buyer loyalty?

The review of service marketing literature almost unanimously considered that all service incidents, whether positive or negative, were "critical" since buyers could recall these incidents as something specific, and "out of the ordinary" from the everyday service provision. As such, these incidents, therefore, lead to the consequential outcomes of loyalty or termination.

In consideration of the conceptual framework in 2.7.1, and in particular the loyalty outcome, there was a limited amount of evidence, in research cycles one and two to suggest that the positive service incident had contributed toward buyer loyalty. In particular, specific service incidents were reported that made the respondents make inferences about the relationship benefits, and produced effects such as service satisfaction. As a consequence, the outcome of these incidents had contributed toward the relative behaviour-attitude of members and loyalty indicators such as; a resistance to switching, positive word of mouth, and members being more trusting in the relationship.

However, the fact that the different member typologies had different loyalty profiles suggests that their perception of the positive service incident and its influence on their relationship varied. It would seem that any positive service incident would be perceived by a member of The Old School as simply a minimum level of service, and would not necessarily translate into buyer satisfaction as Mittal and Lasser (1998) and Rowley and Dawes (2000) found in their work on service satisfaction and buyer loyalty. In contrast, the Keen Amateurs may perceive a positive service incident as producing inferences about the relationship benefits, with the knock on effect of them being more satisfied and more trusting toward the club. As a consequence, it could reasonably be assumed that positive critical service incidents during the relationship had consequently produced a higher relative attitude and behaviour profile that had lead them to be loyal in the relationship.

8.5 Does a negative incident lead to buyer inferences, effects and the consequential outcome of relationship termination?

When considering the service incident and the buyer switching element of the conceptual framework in 2.7.1, the findings from the first cycle and second cycles of research suggested that the critical service incident was, in fact, not that "consequential" in terms of encouraging the members to switch to an alternative service provider. The influence that the negative service incident had on the buyer-seller relationship, was not, in all cases, as catastrophic as defined in service marketing literature. Certainly the primary data presented suggested that many of the service incidents reported revolved around; the service concept, capacity problems, the communication processes and interactions between members, management and staff, member conflict, and perceived relationship inequity for some members. In many instances, a negative incident could be recalled by members and at times were "critical" enough to be reported to management and staff through a process of complaint. However, whilst these *incidents could be* regarded as critical enough to be recalled by respondents, there was no evidence, in research cycles one and two, to suggest that they were critical enough to produce the consequential outcome of switching behaviour, as some service marketing literature posits. Instead, negative service incidents appeared to produce inferences (relationship inequity) and effects (dissatisfaction) in the buyer that consequently resulted in a low relative attitude and behaviour profile. The negative service incident, therefore, appeared to put a certain amount of strain on the relationship, to the extent that it stretched the relationship in such a way as to produce a "tendency" toward termination, but was not particularly decisive enough to produce a consequential ending to the relationship. The influence of these negative service incidents would, therefore, seem to be cumulative and only become consequential at some point in the future when a succession of service incidents produce an attitudinal and behavioural change in the buyer that stretched the relationship toward the "consequential" outcome of termination.

The data from the in-depth interviews in research cycle two perhaps provided some of the reasons for this lack of criticality in the negative service incident and its inability to produce the consequential outcome of termination of the relationship. Instead, the service incident induced buyer inferences about the benefits of maintaining an inequitable relationship, produced effects such as dissatisfaction, with the consequential outcome of a low relative attitude behaviour profile. Morgan and Hunt (1994) provide some insight into this phenomenon when they found that relationship benefits were an important precursor in building relationship commitment, but not relationship trust. Certainly all member typologies reported negative critical service incidents relating to; different member perspectives regarding the service concept, shared values, poor communication, and for The Old School members, a perceived reduction in relationship benefits in the form of reduced access rights. Yet the "consequences" of these negative critical service incidents would appear to have been neutralized by an impressive array of relationship benefits such as; a state of the art sporting facility, international quality coaching and tournaments.

For many members, this relationship variable was the most important reason for maintaining a partnership that had bombarded them with the type of negative service incidents mentioned earlier. It follows then that the cost/benefit of staying in the relationship was outweighed by the cost/benefit of leaving the relationship for these members. This finding calls into question, in part, the Commitment-Trust Theory of Morgan and Hunt (1994) who failed to consider that that a single relationship building variable, such as the relationship benefits, could off-set problems with other variables, such as a lack of communication and shared values between buyer and seller. This weighting in favour of one variable, relationship benefits, would therefore, be so significant that the negative critical service incident may not after all, be that "critical" in terms of terminating the relationship. As such, there needs to be a clear distinction made in literature that delineates between service incidents that produce buyer inferences and effects, but not the consequential outcome of termination, and those incidents whereby, the buyer inferences and effects lead to a consequential outcome of a lower relative attitude and behaviour profile, but does not produce relationship termination. In doing so, this will identify those situations where a service incident is, or is not, truly "critical" to the future of the buyer-seller relationship.

The data from research cycle three, however, produced a clearer picture of the influence of the negative service incident on buyer switching behaviour. It revealed that of the 30 members reporting negative incidents, 16 (53%) had specifically indicated that these incidents had triggered their decision to leave the WHC. During the termination process, some members (mainly the Keen Amateurs and The Old School) had complained to staff about these incidents in an attempt to resolve a conflicting situation, but ultimately failed to recover the situation to mutual satisfaction. In these cases, the negative service incident had been critical enough, and in some cases catastrophic, to produce the consequential outcome of relationship termination.

This tendency toward being more or less loyal leads on to consideration of the relative attitude-behaviour framework proposed by Dick and Basu (1994). The essence of this theory is that buyers make evaluative and comparative judgements about the competitive choices on offer. From this, they are classified according to four types of loyalty profile. For example, the data analysis over three research cycles showed that the Keen Amateurs demonstrated a high degree of loyalty, indicated by a high relative attitude toward the club and supplemented with frequent purchase. Whilst these members reported negative service incidents specifically concerning the capacity management of the WHC, they were more likely to complain to management and staff about these incidents. The analysis did not reveal that they made a frequent evaluation(s) of the competitive alternatives because of these incidents. Instead they viewed any conflict as purely functional (Morgan and Hunt, 1994) and preferred to get issues of service provision resolved, due to the benefits accrued whilst maintaining the relationship. The Old School, in a similar fashion, did not appear to be making comparative evaluations between service providers. The incidents reported were mainly negative in nature (lost/limited relationship benefits, mis-aligned shared values, confusion over the service concept, pricing), and resulted in an evaluation process that indicated a long-term decay in the relationship, and consequently a low relative attitude-behaviour rating. Indeed, many of these members endured a cascade (Zeithmal and Bitner, 1996) of incidents over many years, yet still remained at the WHC. In this instance, the negative incident had contributed to negative buyer inferences and effects, that consequently lead to a spurious loyalty profile.

Yet these incidents had not produced the consequential outcome of relationship termination in many cases. Once again, we can see that the influence of the negative service incident had been off-set by another relationship variable. The Old School members were subsequently driven to maintain the buyer-seller relationship because of significant intangible termination costs previously identified by Morgan and Hunt (1994); Bitner (1995); and Bagozzi (1995) which had mitigated the consequential termination outcome of the negative service incident.

An area that future researchers may wish to pursue would be to re-consider the relative attitude-behaviour framework in relation to the above discussion. Dick and Basu (1994) present attitude strength as operating on a continuum, from weak to strong, and that a high relative attitude is derived from the buyer's evaluation of the competitive alternatives. Whilst the researcher does not dispute the usefulness of this continuum, he would argue that the criteria used for assessing high and low relative attitude should be based, not only on the comparative assessment of the service providers, but also the "number of occasions" that a buyer makes these evaluative judgements. A buyer who engages in this type of activity, on a regular basis, may be said to have a weaker attitude strength than one who rarely makes the same evaluative comparisons. The findings of this research suggest that the relative attitude-behaviour measurement of loyalty could be skewed toward short-term assessments of benefits provided by health and fitness clubs, rather than seeking longevity in the relationship.

This conflict in short and long-term perspectives of buyer loyalty is reflected in the findings of Hillsdon (2001) who represented the younger health and fitness members, such as the Train & Go and LTA Stars, as being the least loyal to their club. Yet, the findings of this thesis showed that they were regarded as being fairly "loyal" members with a high relative attitude-behaviour rating as their positive comparisons of the competitive alternatives had lead them to commit to the WHC. The answer to this conundrum could be because the relative attitude-behaviour framework provides an indication of loyalty based on comparisons between service providers. Yet, Zins (2001) investigation into loyalty in the airline industry suggested that buyers were more "calculative" and that whilst predictions of future loyalty were desirable, they were in practice difficult to ascertain. True loyalty was, therefore, dependent on delivering continued and future satisfaction so that buyers did not feel the need to make frequent comparisons of the competitive alternatives. Without any consideration of the "number of evaluative judgements" that buyers make, the so called high relative attitude-behaviour profile may simply be short term loyals, but long-term spurious buyers.

8.5.1 Are some buyers more likely to be influenced by a critical service incident than others?

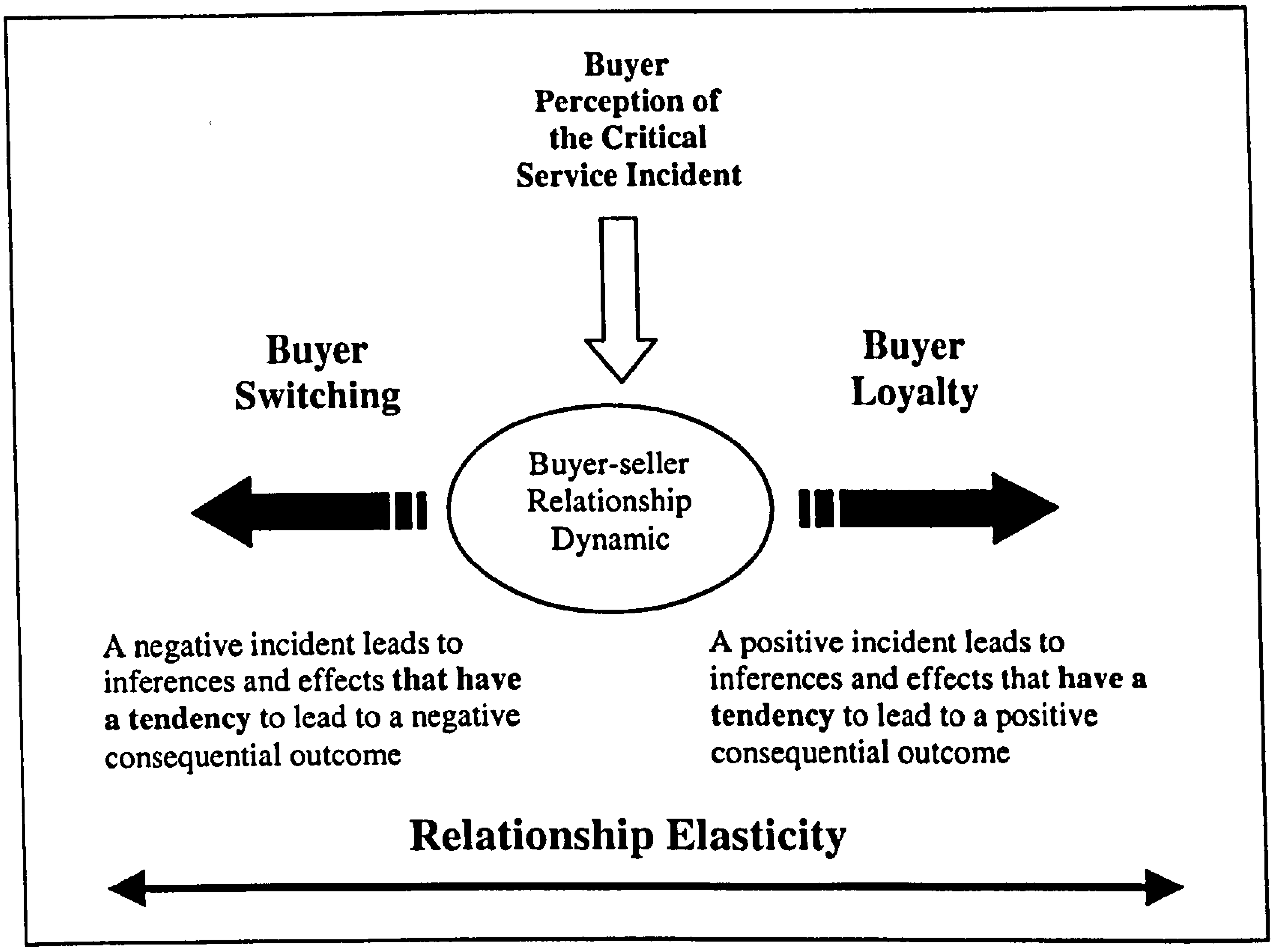
Whilst the literature that lead to the development of the conceptual framework identified in 2.7.1 stated that critical service incidents produced the consequential outcomes of loyalty or switching, the discussion above suggests that this notion was too absolute.

In many instances the findings of this research found that service incidents did not necessarily produce conclusive and consequential outcomes, but did lead to inferences and effects, and an evaluation process regarding the present quality and state of the relationship as found by Coulson (1998).

The service incident also represented a point in time that could induce the buyer to change their attitude and behaviour toward the seller buyer, and therefore, a re-assessment of their loyalty profile. This research found that the service incident provided members of the WHC with an opportunity to evaluate their relationship with the club, and that this process was undertaken over a period of time, with the consequential outcome of relationship termination being deferred to some future point. For example, The Old School members, in particular, reported a range of negative service incidents that caused them to be unhappy. Yet they continued to patronise the WHC over a period of years, even though they were dissatisfied with the relationship. In particular, the findings of this research tended to support the arguments of Botchen et al (1996); and Smith et al (1996); Bejou and Palmer (1998); Coulson (1998); Evardsson and Strandvik (2000); and Butcher et al (2001). These authors found that the negative service incident needed to be considered, not only on the basis of the magnitude of the incident, but also in the context of time, whereby the buyer assesses the incident in relation to past incidents, the present one and the likelihood of future incidents occurring.

When combining the variables of the "evaluative judgement" that occurred during and after a service incident, and a "time" element to the relationship, the critical service incident would appear to produce buyer inferences and effects that meant the relationship had a "tendency" be more or less loyal, or, more or less likely to terminate the relationship. In effect, the critical service incident produced "stretch" in the relationship, so that these incidents didn't automatically produce the consequential outcomes of loyalty or termination, but produced buyer inferences about the cost to benefits ratio in the relationship, and effects of being more or less trusting and committed to the relationship. This outcome of the service incident resulted in the buyer-seller relationship tending, or stretching, toward loyalty or termination is described by the researcher as a phenomenon called relationship elasticity. As shown in Diagram 8 below, the conceptual framework shown in 2.7.1 has been revised to include the findings of this action research inquiry. Firstly, there are subtle changes to the consequential outcomes of the service incident. Instead of producing loyalty or termination of the relationship as a categorical fact, the buyer's evaluative judgement of the service incident is considered in the wider context of the present and future quality of the buyer-seller relationship. The evaluative judgements are made by the buyer in the context of the costs and benefits involved in the relationship which make them resistant, or tolerant to the positive or negative influences of the service incident. As a result, the service incident does not necessarily produce the bi-polar consequential outcomes, but, produce stretch in the buyer-seller relationship so that there is a "tendency" toward the consequential outcome of loyalty or termination of the relationship.

Diagram 9: Revising the Conceptual Framework



8.5.2 The relationship elasticity of WHC members

Consideration of the influence of the critical service incident on the buyer evaluation process over time was further demonstrated in research cycle three when ex-members were asked to discuss the influence of these incidents on their decision to terminate the relationship with the WHC. It appeared that the different member typologies had different "tolerances" toward the negative critical service incident, and that this tolerance was identified by the researcher as an otherwise unknown phenomenon in relationship marketing literature, that is, *relationship elasticity.*

This term infers that the buyer-seller relationship responds to changes in the underlying determinants of the relationship, and that the change can be caused by the critical service incident.

Knowledge of *elasticities* is well documented in economic theory and has been extensively used in marketing, for example, in assessing likely product demand changes to different pricing tactics. However, in a relational sense, knowledge of relationship elasticity is unknown, but, could easily contribute to the management of buyer's and their longevity in the relationship. For example, *elastic relationships* could be characterised by higher levels of; functional conflict, acquiesence, complaining activity, a high number of incidents reported during buyer-seller process interactions. They may be characteristic of a high relative attitude-behaviour, as demonstrated by the Keen Amateurs, but could also be characteristic of spurious loyalty, driven by high termination costs as seen by The Old School members.

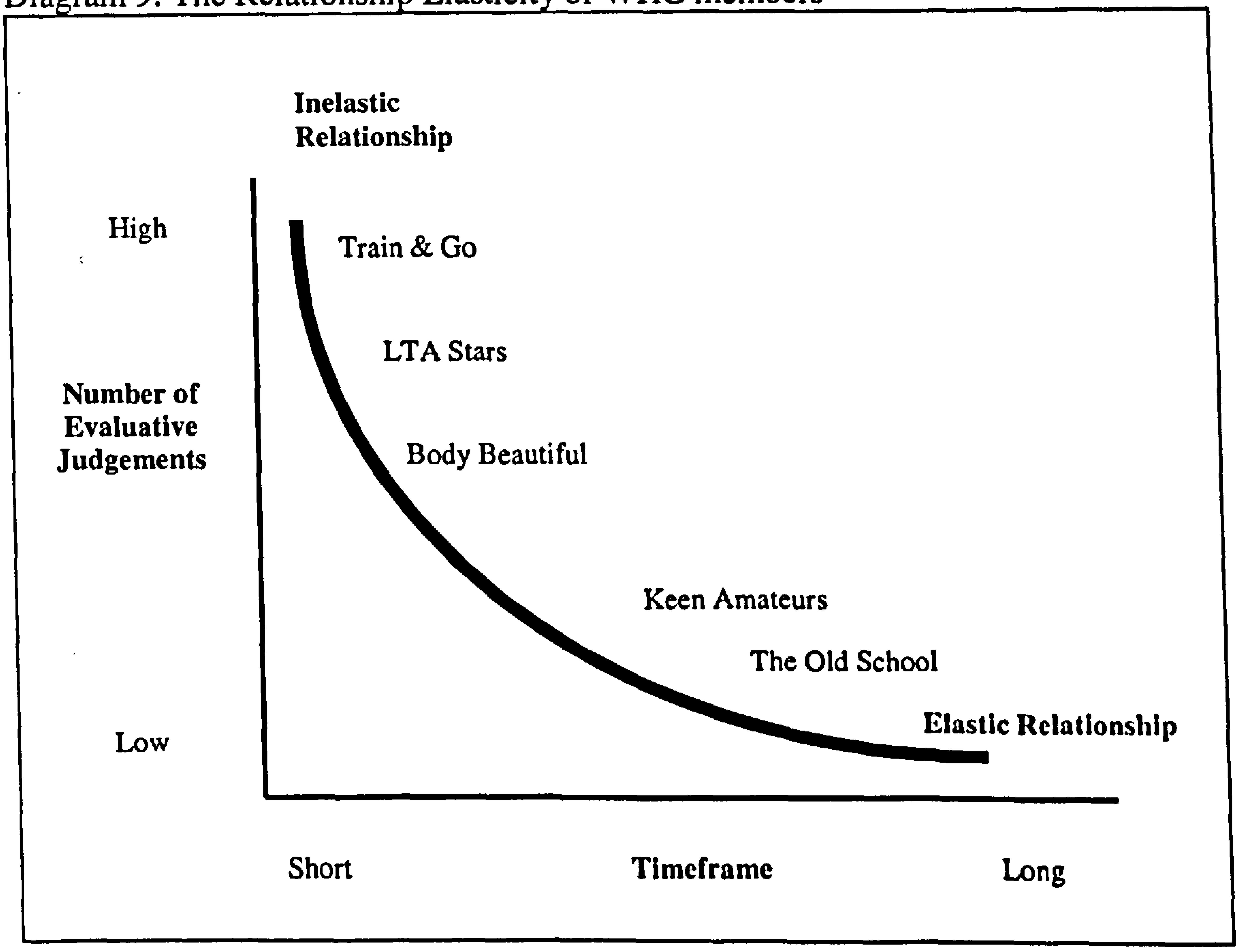
If the phenomenon of relationship elasticity were to be proven with further research activity, then the relative attitude-behaviour model (Dick and Basu, 1994) could be considered as a rather limited framework to consider buyer loyalty. This is apparent because the data in research cycle three shows that high relative attitude-behaviour did not necessarily equate to longevity in the relationship. For example, the Train & Go and Body Beautiful members were classified as fairly loyal member groups, however, these members had not necessarily sought out longevity in the relationship and were easily attracted to the competitive alternatives. The data in research cycle three indicated that negative service incidents were critical enough not only to test, but, to break down their commitment to the relationship and influence these members groups to leave the club. The WHC had previously been a relatively better exchange partner than the competition, but a continual assessment of relationship factors such as price, competitive offers and minimal termination costs had made these groups remain at the lower levels on the relationship ladder (Christopher et al, 1991). As a result, they were less likely to complain in conflict situations, making their relationship with the WHC relatively inelastic.

In contrast, those more established and mature relationships, like those of the Keen Amateur who acted as "advocates" of the club (Christopher et al, 1991) had a high relative attitude-behaviour profile, but were more resistant and tolerant (Bejou and Plamer, 1998) to the switching effects of the negative service incident. Whilst these members had actively found fault in the service provision, and on occasions, had been in direct conflict with the club, this conflict was more closely aligned to the functional conflict that Morgan and Hunt (1994) described. In this scenario, positive relationship factors such as; benefits and shared values appear to have produced longevity in the relationship. This group also regarded complaining activity as a way to improve the service provision and would consider any variance in service quality or a specific negative service incident as being not that critical, nor to produce the consequential outcome of relationship termination. In this sense their relationship with the WHC could be considered as relatively elastic.

Another typology with a relatively elastic relationship, were The Old School members. However, the reasons for this were in stark contrast to the Keen Amateurs. As spurious loyals, with a low relative-attitude behaviour profile, their commitment to maintaining relationship was driven by significant intangible termination costs as described by Bitner (1995) and Baggozzi (1995). This group would often complain to management and staff about; a lack of shared values with the WHC, a reduced level of relationship benefits, relationship inequity and poor communication. Whilst many of these members had left the club in the two years following the involvement of the LTA, the remaining members of this group had endured many months and even years of a failing relationship, thus demonstrating a relatively elastic relationship.

The concept of relationship elasticity and the member typologies is represented in Diagram 9 below. Firstly, the vertical axis represents the number of evaluative judgements a buyer makes during and after a critical service incident and its influence on the present and future direction of the relationship. As discussed in 8.2 above the service incident provides the buyer with an opportunity to "evaluate" the state and quality of their relationship with their seller. This evaluation process consisted of a cognitive process, stimulated by the critical service incident, whereby the buyer assessed; the present quality and future state of the relationship, the opportunities to seek alternative service providers, and make a subsequent assessment of the costs and benefits of leaving the relationship compared to the costs and benefits of remaining in the relationship. In addition to this, the horizontal axis depicts this evaluation process in terms of the time taken for the buyer to assess their relationship with the seller before termination. For example, at one end of the continuum, The Old School members reported a range of negative service incidents relating to core service failures, but rarely made an assessment of alternative service providers. They had also remained in a relationship, characterised by conflict and dissatisfaction, for a long period of time before termination, due to the intangible nature of their relationship termination costs as the findings from research cycles one and two found. Under these buyer-seller conditions, The Old School members were, therefore, regarded as having a relatively elastic relationship as they maintained their relationship and had become almost tolerant of the negative critical service incident. At the other end of the continuum, the Train & Go members made a high number of evaluative judgements following a service incident. Whilst they were generally satisfied with the service provision, and complained infrequently, they were sensitive to price related incidents and sought out the best health and fitness facilities in the market place. They often made numerous comparisons of the service provision at the WHC, and the likely benefits to be accrued from alternative service providers. However, these members also had low tangible and intangible termination costs, and so their assessment the WHC service provision, specific negative service incidents and the relationship quality was often swift and decisive. They also had not allowed the relationship to mature due to a lack of long-term commitment and were subsequently less resistant to the influence of the negative service incident, and it is this type of *relationship that can be characterised as being relative* inelastic. For the other member typologies, they had relationship elasticities that lay somewhere between the relatively elastic of The Old School and the relatively inelastic of the Train & Go members, as shown in the diagram below.

Diagram 9: The Relationship Elasticity of WHC members



8.6.1 Is relationship elasticity a new phenomena?

The possibility of a phenomena such as relationship elasticity lead the researcher to re-evaluate the relationship marketing and services marketing literature for evidence tolerance, resistance, stretch, or elasticity, in buyer-seller relationships and whether critical service incidents had any influence on this phenomena. Whilst there was no direct evidence to identify a phenomena termed "relationship elasticity", there were a number of implicit references that were broadly descriptive of the fact that the buyer-seller relationship could be placed under strain, enhanced and stretched toward the consequential outcomes of loyalty or termination by the critical service incident.

The common strands between these pieces of work were the variables of "relationship duration" and the "time taken for a service incident to influence the buyer". Firstly, Zeithaml and Bitner (1996) produced their concept of the "service encounter cascade" suggesting that it may take more than one negative incident to produce the consequential outcome of relationship termination. They posit that the buyer evaluation process takes place over time, as suggested by a cascade of service incidents. This also implies that the service incident stretches the relationship, and that, the more tolerant a buyer is to these cascading events, the more elastic the relationship. If this were not the case, then all relationships would be terminated after the first negative incident or produce instant loyalty following a positive one.

In addition, Colgate and Hedge (2001, p.201) found that buyer switching behaviour was a dynamic process that "evolved over time", thus supporting Halinen and Tahtinen (2002, p. 170) and Keavney (1995, p.76) who found that relationship ending can be the result of a *"series of longitudinal incidents over* *time*" that had finally incited a buyer to switch service providers. Morgan and Hunt (1994, p. 27); Lee and Cunningham (2000, p.115); and Butcher et al (2001, p. 312) also found that buyers weighed up the costs of remaining in, or terminating the relationship when considering the influence of the negative service incident. Again, it is this evaluation of the service incident in the context of the overall relationship taking place, over time, that further demonstrates a cognitive process undertaken by the buyer, that whilst producing immediate inferences and effects, may not produce the immediate consequential outcome of temination. The buyer-seller relationship would, therefore, seem to be resistant to the influence of negative service incident in particular.

In a similar vein, Bejou and Palmer (1998, p.14) found that relationship duration had a mediating influence on the effects of the negative incident in terms of the buyer's commitment and trust. They found that some buyers were "tolerant" of the negative service incident, particularly in the early stages of relationship development, or, when the relationship matured and had developed social bonds between buyer and seller. This again tends to support the findings of this thesis, where different buyers (member typologies) appeared to have different tolerances to the influence of the negative incident. Morgan and Hunt (1994); Bitner (1995); and Bagozzi (1995) also posited that this resistance to change service providers following a negative service incident was no more than buyer inertia, driven by high exit costs, and acquiesence.

One could, therefore, argue that by being not just resistant to, but, ambivalent toward the influence of the negative service incident, a buyer would have to have a relatively high relationship elasticity.

In her work on buyer switching behaviour, Stewart (1996, p.270) also found that customers went through an evaluation process following a service incident and considered how the outcome of this incident fitted within the context of the overall relationship quality. She argued that buyers *"did not make snap decisions"* and often complained to management and staff in an attempt to get difficulties resolved, before terminating the relationship. Again, this process of relationship evaluation and complaining activity over time suggests that the relationship is placed under strain and that buyers who complained were more likely to be tolerant of the negative service incident, thus, had a relatively elastic relationship compared to a buyer who didn't complain over time. Complaining behaviour may, therefore, be one of the prime constructs of a buyer's relationship elasticity and it may be useful for future researchers to re-evaluate the service and complaint literature in order to further explore the possibility of the relationship elasticity phenomena.

Evidence of relationship elasticity can also be found in buyer satisfaction literature, where De Rutyer et al (1998, p.443) and Yoon and Kim (2000, p.129) found that buyers did not necessarily relate dissatisfaction of the total service provision on the basis of a specific negative incident.

In this sense, buyer satisfaction could be regarded a as cumulative process. A good or bad service incident may not necessarily have a positive or negative effect on the overall quality of the relationship, thus suggesting that a "history" of satisfaction can produce relationships that are more tolerant of the negative service incident, and therefore, a relatively more elastic relationship. This may explain why some members with a high relative attitude-behaviour rating, such as the Keen Amateurs, seemed to have a relatively more elastic relationship, than, the Train & Go members, who again had a high relative attitude-behaviour rating, but, were predisposed to switch service providers. They simply did not have enough longevity in the relationship to build a history of cumulative satisfaction to make them tolerant, or resistant, to the negative inferences, effects and consequential outcomes of the negative service incident. Further evidence of the possibility of elasticity in the buyer-seller relationship can be found in the work of White and Schneider (2000, p.241) who argued that the variance in service provision can often have a knock on effect on the levels of buyer satisfaction. This, in turn, can result in movement up and down the loyalty ladder (Christopher et al, 1991) as a result of service incidents producing effects such as satisfaction or dissatisfaction and member service expectations being disconfirmed or not. It could, therefore, be argued that this movement up and down the loyalty ladder demonstrates a certain "flexing" in the relationship, and as such, elasticity in the buyer-seller relationship.

8.6.2 How does this thesis differ to previous research?

The existing literature from the service marketing paradigm implies that the critical service incident acts as a stimulus to greater levels of buyer loyalty in its positive form, or, as an incentive for them to switch service providers in their negative manifestation. This thesis examined the critical service incident in a relational context, with the findings suggesting that the phenomena produced buyer inferences, effects and consequences, and that the consequential outcomes of loyalty and switching, may not necessarily be the natural outcome. Indeed, the use of Flannagan's (1954) definition enabled the researcher to consider the critical service incident in terms of a relationship process, in that, it produced buyer inferences, effects and consequences. In essence, this thesis adds to existing knowledge by suggesting that there is a rich and fertile middle ground that exists in a dynamic relationship between buyer and seller. A conclusion from this research suggests that the critical service incident does not summarily produce the consequential outcomes of loyalty or switching, but, produces flex or stretch in the relationship, a phenomena that has been termed 'relationship elasticity' by the researcher. The findings of this research have described a buyer-seller relationship process that is stimulated by the critical service incident and that the buyer's attitude and behaviour are moderated by a range of relationship drivers that result in the buyer-seller relationship tending towards being more loyal following a positive service incident, or less loyal following a negative service incident.

Incorporating the notion that the critical service incident produces stretch in the relationship, and that the buyer-seller relationship has elasticity, meant that this thesis also proposed that different types of buyers had different relationship elasticities. Whilst the work of Edvardsson and Strandvik (2000) and Palmer, Beggs and Keown-McMullan (2000) proposed that different types of buyers may react differently to the influence of the negative service incident, they did not consider the idea that through a process of incident, inference, effect, and consequence, that different types of buyers could have different elasticities to their relationship with the seller, ranging from inelastic to elastic.

The findings of this thesis also make a contribution to knowledge by investigating the consequences of the critical service incident in terms of the relative attitude and behaviour of the buyer. It was found that the service incident could influence the buyer in so far as their relative attitude and behaviour could change, from being, say, being loyal to spuriously loyal as found in the case of The Old School members of the WHC. Whilst Edvardsson and Strandvik (2000, p.86) argued that the influence of the service incident on the buyer should be considered in the context of the *"situational dimensions"* of the internal and external relationship, this thesis has further developed this vein of thought by arguing that the influence of the critical service incident on the buyer brings into play an evaluation of internal relationship factors and external relationship. This subsequently leads to the buyer to assess the costs of terminating the relationship (internal factors), in comparison to the benefits provided by potentially new service providers (external factors) in order to arrive at their assessment of their 'relative attitude' towards the current and potential service provider. This in turn, points to the importance of investigating the critical service incident in terms of buyer inferences, effects and consequences, as it is this that will enable service providers to predict the buyer's relative attitude, behaviour and future loyalty toward them.

Obviously the contributions to knowledge discussed above have been made on the basis of an exploratory research design, and as such, the express aim of this action research inquiry was to gain some familiarity with the critical service incident and attempt to understand how it influences the buyer-seller relationship. The conclusions reached are in essence, subjective, interpretive and could, as Silverman (2000) points out, be entirely incorrect. However, as an exploratory investigation, the findings of this research have revealed some recurring patterns, over three research cycles, of the influence that critical service incidents have in a relational sense. Any future research endeavour in this area should, therefore, attempt to test and consolidate these findings in different buyer-seller settings. It should also seek to apply an objective and more scientific research approach to research design, data collection, and to express the findings more accurately and with more confidence.

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