Revenge or Reconciliation? A Rejection-Based Model of Firm-Induced Relationship Termination

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REVENGE OR RECONCILIATION? A REJECTION-BASED MODEL OF FIRM-INDUCED RELATIONSHIP TERMINATION

by

Lucas Hopkins

A Dissertation

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ABSTRACT

REVENGE OR RECONCILIATION? A REJECTION-BASED MODEL OF FIRM-INDUCED RELATIONSHIP TERMINATION

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Lucas Hopkins

This study is the first to examine the effects of firm-induced relationship termination on customer rejection perceptions and firm-related outcome behaviors. A research model is developed that focuses on several key issues with respect to the post-termination process. First, the study explores how direct versus indirect termination styles influence a consumer’s feelings of relational evaluation. The author hypothesizes that indirect termination strategies lead to lower levels of rejection upon the dissolution of the relationship. Second, the author examines how the level of perceived rejection experienced by customers affects their subsequent emotions. Specifically, as a result of this rejection, customers may experience betrayal or yearning for the lost relationship. Third, the moderating effect of emotional attachment on the emotions that are present following rejection is examined, with results showing that an increased sense of attachment leads to greater feelings of betrayal as well as yearning. Finally, as a result of these emotions, the study sheds light on how customers behave upon being rejected; namely, whether they choose to seek revenge or attempt to reconcile their relationship with the firm. From an academic perspective, this is the first study in the marketing
literature to examine the downstream effects of firm-induced termination and, in so doing, to apply the concept of rejection to a consumer-based context. From a managerial perspective, the study uncovers many issues associated with the practice of customer relationship termination.
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CHAPTER 1 INTRODUCTION

Stories of firms firing customers are becoming increasingly prevalent in service organizations. In a recent post, an ex-ING customer discusses his service experience with the online bank, “I received an e-mail from ING yesterday at 4pm informing me that they had obtained my credit score from a consumer reporting agency and had decided to close my Electric Orange account and reduced my overdraft line of credit to $0…” (wesabe.com 2008). Similarly, Verizon, Apple, and Sprint have received national attention for recent episodes of terminating relationships with customers. When asked about these decisions, the companies cited reasons ranging from customers threatening employees to a lack of customer profitability (e.g. Shin, Sudhir and Yoon 2012). While opposing views exist, rationale for terminating customers is that the company is not structured to support unprofitable or wayward customers and, by eliminating these relationships, more resources are available to provide better service to profitable and functional customers (Zeithaml et al. 2001).

Terminating relationships with customers is in stark contrast to the traditional, indirect style of managing relationships, which consisted of simply carrying bad customers or raising prices and reducing service to the extent that the customer no longer wanted to be a part of the relationship. The primary benefit of these traditional strategies was thought to be that they caused less direct insult to customers by allowing them to make the termination decision. While both strategies have strengths and weaknesses, it is
important for managers to be aware of the implications that firm-induced termination has on customer perceptions and behaviors.

The concept of customer termination provides an interesting view into the dynamic relationship that exists between firms and customers. From the firm’s perspective, customer relationships ultimately represent a source of revenue that can be validated through financial returns measures; however, the customer may view relationships differently. Research in consumer behavior (e.g., Ahuvia 2005; Carroll and Ahuvia 2006) indicates that customers often develop “love-like feelings” towards firms, which have the ability to develop into intense emotional attachment. As a result of this attachment, customers may react to termination in ways that seem irrational in the realm of standard buyer/seller relationships but quite normal in the realm of a personal relationship. For example, in the event that a firm closes a customer’s account, the customer may feel a sense of rejection, which in turn could lead to feelings of anger, sadness, and even a desire for reconciliation.

At first glance, the idea that a customer will seek to reconcile with a firm following firm-induced relationship termination seems unlikely; however, evidence to the contrary exists in both academic studies and in current business relationships. Specifically, while initial research on rejection (e.g., Twenge et al. 2001) found that rejected individuals behaved aggressively, subsequent studies suggest that some people have a tendency to behave in a manner that encourages the rebuilding of the relationship (Maner et al. 2007). Similar to what Weiss (1976) called “divorce pains,” Odekerken-Shroder et al. (2010) found that, after the relationship with a firm had ended, customers
often experienced a sense of yearning. Thus, much like other types of break-ups, there appear to be a variety of ways in which customers react to firm-induced rejection.

The opportunity to examine rejection within a business context provides a novel approach to extending this literature stream. Rejection is defined in the psychology literature as “a state of low relational evaluation in which a person does not regard his or her relationship with another individual as particularly valuable or important” (Leary 2006, p.112). Due to the antisocial behaviors that tend to follow rejection, it is important for firms to be aware of how consumers react to termination.

The formal objective of the current study is to determine how direct versus indirect termination strategies influence a customer’s feelings of rejection and, in turn, the emotions and behaviors that follow. In order to examine the process and outcomes of termination strategies, this paper develops and tests a model (see Figure 1) based on concepts drawn from research on interpersonal relationships, including Social Exchange Theory. The general basis for the model is that customer/firm relationships may behave analogously to romantic relationships. Prior research on relationship dissolution (e.g., Brown et al. 1978) suggests that the strategy chosen to communicate the dissolution is important when trying to minimize negative repercussions. Therefore, the current model addresses both direct and indirect methods of terminating the relationship with the customer. After examining these characteristics of the termination process, the model hypothesizes that customers will experience rejection. As supported in prior research (e.g., Leary 2001; Blackhart et al. 2009), rejection causes individuals to experience
Figure 1

Model of Customer Rejection

- Adequacy of Explanation
- Termination Strategy Directness
- Rejection
- Emotional Attachment
- Betrayal
- Yearning
- Reconciliation
- NWOM
- Revenge
variety of emotions, such as perceptions of betrayal or, ironically, yearning for reconciliation. Finally, as the customer becomes more attune to different emotions, subsequent behaviors will follow. Intriguingly, and of interest to both academics and practitioners, this model hypothesizes that the customer may elect to behave in an antisocial and/or prosocial manner in the sense that they may choose to exit the relationship by seeking revenge or attempt to repair the relationship.

This research contributes to the literature in three important ways. First, it introduces the concept of rejection to the service literature and develops a rejection-based model that tests how customers respond to relationship termination in a business setting. The concept of rejection is common throughout the psychology and social psychology areas, but the marketing literature has yet to examine rejection that results from firm-induced customer termination.

Second, an examination of the effectiveness of two different termination strategies will provide valuable information for both managers and academics. Prior literature on termination strategies within the marketing channels literature suggests that, when firms wish to terminate relationships with current customers, they can choose to reduce service options, increase prices (Zeithamal et al. 2001), or openly deny products or services (Reinartz et al. 2004). This model seeks to provide a more thorough understanding of how both styles of dissolution contribute to a customer’s perceived level of rejection.

Lastly, the research model draws upon variables from the psychology and relationship management literatures to suggest that consumers may actually respond
unexpectedly to a rejection situation. The model proposes that processes that govern romantic relationships may also be applicable to relationships between customers and firms. Specifically, feelings of rejection may lead to emotions that encourage reconciliation. As such, under the right conditions, a firm may be able to terminate a relationship with a customer, only to find the customer attempting to reestablish the relationship.

This paper is organized as follows: First, in Chapter 2 a literature review is provided to develop hypotheses that link various termination strategies and characteristics with the customer’s level of perceived rejection. Then, relationships between rejection and the customer’s subsequent behaviors are posited, followed by the mediating role of emotional responses. Chapter 3 provides discussions of the data collection method and the analytical approach. In Chapter 4, the results are discussed and Chapter 5 concludes with a discussion of ways to connect the theoretical findings to relationship management practice.
CHAPTER 2 LITERATURE REVIEW

The process of a firm attempting to end a relationship with certain customers is referenced in several ways in the marketing literature, including unprofitable customer abandonment (Haenlein et al. 2006), customer divestment (Mittal et al. 2008), and customer prioritization (Homburg et al. 2008). Relationship dissolution may result from a variety of reasons, such as customer causes (e.g., ceasing of consumption), competitive causes, or, of particular interest to this research, internally intended (customer firing) causes (Reinartz 2004).

Borrowing from a good deal of research in the communications literature (e.g. Baxter and Bullis 1986, Giller and Matear 2001; Molden et. al 2009), this model asserts two specific methods for terminating the relationship: (1) direct strategies involving an explicit termination statement and (2) indirect strategies that avoid an explicit statement to the other party (Baxter and Wilmot 1985). Prior research on relationship termination suggests that direct termination strategies, defined as a form of communication in which open confrontation is used to terminate the relationship (Baxter and Bullis 1986), are used to increase the speed of the termination process. These approaches are often utilized when an external factor, such as an economic downturn, caused the ending of the relationship (Giller and Matear 2001). In contrast, indirect strategies are defined as tactics that involve withdrawal or avoidance as a method for terminating the relationship (Baxter and Bullis 1986). Indirect termination strategies are likely to accompany internal
motivations for termination (Giller et al. 2001), such as relocation of the organization, and are often described as a “disguised exit” in which the firm attempts to withdraw from the relationship by asking for a tighter delivery schedule or increased prices (Freeman and Browne 2004).

**Social Exchange Theory**

In an attempt to explore how customers react to various methods of relationship dissolution, the current model borrows from Social Exchange Theory (SET). SET is based on the foundation that social exchange is made up of a series of interactions, which generate feelings of personal obligations (Cropanzano and Mitchell 2005; Emerson 1976; Blau 1964). As a result, participants involved in exchange relationships calculate the costs and benefits associated with being involved in a relationship. This cost-benefit analysis allows consumers to determine the extent to which the ending of a relationship is viewed as a positive or negative event. Simply put, relationships in which the costs outweigh the benefits are seen as less desired, while relationships in which the benefits outweigh the costs are seen as valuable.

The use of a social exchange theoretical perspective is particularly relevant to a study of customer relationship management because of the key role of reciprocity (Kingshott and Pecotich 2007). Based on the norm of reciprocity (Gouldner 1960), situations in which the firm does not fulfill its personal obligation will lead to customers feeling as if the social exchange relationship has been violated. Further, as a result of this violation, consumers may experience a variety of emotions, which, in turn, lead to various behaviors. For example, if a customer has a policy canceled by the firm, the
customer may experience feelings of betrayal, which lead to active attempts to seek revenge on the firm.

**Firm-Induced Relationship Termination**

While many scholars debate the specific definition of customer relationship management (CRM) (Sin, Tse and Yim 2005, Parvatiyar and Sheth 2001), the consensus is that CRM is made up of a combination of strategy and information systems that are intended to improve customer service (Chan 2005). The majority of research on CRM focuses on the proper management of upper tier customers, with little attention given to the lower tier segments (Haenlein and Kaplan 2010). However, because of the increasing size of the middle and lower tier segments, it is important to consider the implications involved with managing these customers. One suggestion put forth by marketing scholars is that firms should attempt to increase purchases by their middle tier customers to increase customer retention or customer share (Verhoef 2003). As recommended by Hart et al. (1999), firms may use tools such as loyalty programs to increase repeat purchases by their middle tier customers. Some scholars, however, argue that firms must commit unfavorable acts to consumers if the customer is likely to cause the firm a significant loss in profitability (Sorell 1994). For example, recent stories have surfaced of customers causing significant losses by abusing return policies (Anderson et al. 2009), damaging property (Verhoef et al. 2009) or making excessive customer support calls (Boronico et al. 2011).

The idea of “firing customers” began with a 1971 *Harvard Business Review* article, in which the authors discuss the role of marketing in a time of excess demand. In
that article, Kotler and Levy (1971) state that periods of excess demand require firms to make decisions that involve reducing certain classes of demand. Labeled “creative demarketing,” the authors define it as “discouraging customers in general or a certain class of customers in particular on either a temporary or permanent basis” (p. 75).

As the CRM concept continued to evolve, firms began evaluating customer lifetime value to align their marketing efforts with the needs of their most profitable customers. As stated by Reinartz et al. (2004 p. 294) “it is probably not true that more relationship building is always better; rather, building the right type of relationship (which depends on situational factors) is critical.” Further, by concentrating efforts on their most profitable customer segments (Niraj et al. 2001), firms are faced with decisions on the most effective and efficient manner with which to manage their less profitable segments.

**Firm-Induced Relationship Termination Versus Service Recovery**

Prior marketing studies examine conflict between the firm and the customer in the context of service failure and recovery. A service recovery refers to the actions a service provider takes in response to a service failure (Gronroos 1988) that if not handled properly, often results in relationship deterioration (Bejou and Palmer 1998). A well-executed service recovery is linked to a variety of benefits for the firm, including increased customer loyalty (Mattila 2001), intentions to repurchase, and positive word-of-mouth (Spreng et al. 1995). Smith and Bolton (1998) suggest that managers should take specific interest in this topic because of its relevance to customer retention and satisfaction.
The model investigated here offers a novel extension to the service failure and recovery literatures. Most of the work on service recovery involves situations in which the firm has wronged the customer in some way and, in trying to retain the customer, attempts to correct the mistake. In contrast, in the event of firm-induced termination, the firm no longer wants to maintain a relationship with the customer, thus resulting in actions directed at ending the relationship. Put succinctly, in one situation (service failure), the firm fears the loss of a customer whereas, in the other, the firm hopes for the loss of a customer. Because this model views service recovery from a completely different perspective, many of the traditionally established relationships are reevaluated.

**Customer Rejection**

Although used to describe a variety of phenomena, the literal meaning of rejection refers to the refusal of a social connection (Blackhart et al. 2009). In the context of this research, rejection refers to *purposeful exclusion from a desired group or relationship* (MacDonald and Leary 2005). Baumeister and Leary (1995) prompted the study of rejection by suggesting that human beings are naturally inclined to seek acceptance and avoid rejection. In their seminal study, the authors stated that the “need to belong” has immediate effects on thoughts, emotions, and behavior.

As research on rejection evolved, scholars discovered that a challenge when studying and defining rejection is the practice of treating acceptance and rejection as if they were dichotomous (Leary 2001). As a solution to this problem, Leary (2001) proposed that acceptance and rejection are positioned as points on a continuum, which are based on relational evaluation, or the degree to which others regard their relationship
with the individual as valuable or important (Leary 1999). The concept of relational evaluation provides a foundation for understanding rejection-related experiences, as it suggests that individuals develop subjective feelings based on their perceptions of the value that others place on having a relationship with them. Whereas acceptance would imply that a person has a high relational evaluation regarding a relationship, rejection implies the opposite (Leary et al. 2007).

More recent thoughts on rejection encourage the broadening of the rejection concept. Finkel and Baumeister (2009) suggest that as research on rejection continues to develop, a greater emphasis should be placed on close, long-term relationships, while Molden et al. (2009) state that studies should consider situations in which the rejected individual is allowed to choose between a variety of both prosocial and antisocial behaviors. Due to the emotional and behavioral responses associated with rejection, the model introduced here implies that rejection may be a valuable tool for explaining various customer responses to firm-induced customer termination. In addition, the similarities that exist between personal relationships and business relationships also support the addition of rejection into a customer-based study.

**Modes of Relationship Termination**

Once a firm decides to end a relationship with a customer, decisions must be made regarding the ways in which the relationship will be dissolved. Methods such as increasing fees or decreasing service offerings may discourage certain customer relationships, while other cases require blatant, explicit declarations about the ending of the relationship. Communications research on the process of relationship dissolution
classifies relationship dissolution strategies as either direct or indirect (Baxter 1985). As explained by Baxter (1985 p. 247), “direct strategies explicitly state to the other party one’s desire to exit the relationship, whereas indirect strategies try to accomplish break-up without an explicit statement.” Although both tactics appear to represent strikingly different options for ending relationships, support is offered for both methods; indirect strategies provide the opportunity to respect the partner’s “face” (Baxter 1985) while direct strategies are used as a tool to convey trust (Rousseau 1995). Whereas prior studies uncover various issues associated with dissolution communication strategies (Alajoutsijärvi et al. 2000; Giller and Matear 2001), no study examines exactly how the various strategies affect customer rejection perceptions.

The basic argument of this study is that, while customers will experience various levels of rejection regardless of the termination strategy used, situations in which the firm makes a flagrant declaration of dissolution will cause the customers to feel more rejected. This position is supported by research (Molden 2009; Higgins 1997) which shows that, in situations involving exclusion, direct strategies lead to a greater withdrawal from social contact, stronger feelings of agitation and an enhanced sense of vigilance. Conversely, indirect exclusion is linked to greater attempts at social reengagement and stronger feelings of dejection and sadness (Molden 2009). A possible explanation for these findings involves the amount of ambiguity associated with each strategy. For example, because a direct strategy embraces a deliberate statement concerning the state of the current relationship, customers have a clear understanding of how they stand with the firm. Alternatively, an indirect strategy does not openly terminate the relationship and the customer is forced to infer why the firm is making the current changes to the relationship.
As a result, the customer may attribute the changes to something other than the value of their own relationship, thus failing to experience the same degree of relational devaluation as that which occurs with direct termination strategies. Formally, this study hypothesizes that:

$$H1: \text{There is a direct, positive relationship between the directness of the termination strategy perceptions of rejection}$$

**Moderating Effects of the Explanation**

If the directness by which relationship termination is conveyed affects the perceived rejection that a customer experiences, then it is possible that other characteristics of the explanation may strengthen or weaken the customer’s perceived relational devaluation. While the specificity of the explanation provided is the greatest determinant of perceived explanation adequacy (Shapiro 1994), the extent to which the explanation is clear, reasonable, and detailed is also important (Shaw et al. 2003). The multifaceted strengths of adequate explanations are supported in both consumer and organizational studies as explanations are known to positively influence customer evaluations (Utne and Kidd 1980), while also reducing employee complaints (Bies and Moag 1986), absenteeism, and turnover (Brockner et al. 1990).

When people receive bad news, there is an increased desire to understand the reasoning behind the negative event (Louis 1980; Wong and Weiner 1981; Shapiro 1994). Given that events involving termination and rejection are generally considered negative, the adequacy of the explanation provided is of great importance. When evaluating methods to convey information that may cause someone to feel rejected, the
rejecter must decide what reasons should be offered in an attempt to minimize negative repercussions (Folkes 1987). Because explanations have the ability to establish a causal account (Bies and Shapiro 1987), research has shown that an adequate explanation may dilute the impact of rejection (Sinclair et al. 2011), reduce surprise (Weiner 1994) or shift blame (Pontari et al. 2002).

The research model proposes that, when adopting a direct termination strategy, an explanation for termination that is perceived as adequate may lessen the perceived rejection reported by the customer. Whereas causal accounts are associated with a decision maker’s motives (Bies and Shapiro 1987) and these motives often act as indicators of relational evaluation (Leary 1998), the current study hypothesizes that an adequate explanation will dampen the effect that a direct communication strategy has on the customer’s perceived level of rejection.

H2: The adequacy of the explanation for termination moderates the relationship between a direct communication strategy and the perceived rejection experienced by the terminated customer, such that the effects are weaker when the adequacy of the explanation is greater

**Emotional Responses to Rejection**

While a link between rejection and emotional distress seems obvious, the literature on this relationship provides contrasting findings. Studies (e.g., Buckley et al. 2004; Baumeister and Leary 1995) show that the act of being rejected has a negative impact on a person’s emotional state, often eliciting emotions such as anger and sadness (Buckley et al. 2004), hurt (Vangelisti 1994) and jealousy (Leary 1990). Although the
idea that rejection can lead to a positive emotional state is not implied in the literature or in this study, certain scholars have suggested that rejection may not elicit as much of a negative response as one would expect. For example, Blackhart et al. (2009) found that, while rejection caused a shift in emotional state away from the positive and toward the negative, the shift ended in a neutral state suggesting no definite evidence of any actual emotional distress among those rejected. Further, it is possible that being accepted or rejected causes people to show no significant differences between several emotions, including sadness, fear, embarrassment, or anger (Twenge et al. 2003).

Although scholars suggest that emotion should be addressed in situations involving rejection (Twenge et al. 2001), supporting this relationship presents considerable challenges. Initially, studies failed to uncover emotions following rejection as exemplified in Finkel and Baumeister’s (2009, p.27) statement, “The link between rejection and emotion seemed like one of the easier tasks for psychological theory to handle. As it sometimes happens, however, the data didn’t cooperate.” Consequently, subsequent studies explored the lack of support for the link between rejection and emotion. As a result, a meta-analysis by Blackhart et al. (2009) found that rejection does cause significant changes in emotion. Explanations for this lack of findings range from the use of small samples (Blackhart et al. 2009), the use of strangers in rejection scenarios (Finkel and Baumeister 2009), and the lack of realism created with the rejection experience (Blackhart et al. 2009). In support of these findings, the current study explores rejection from an SET perspective and implies that certain facets of the relationship dissolution process will lead customers to experience a sense of yearning and betrayal upon being separated from the firm.
Yearning. It is important to understand why certain customers may behave prosocially when experiencing relational devaluation. In an attempt to explain this phenomenon, the research model hypothesizes that losing a relationship with a service provider could encourage feelings similar to those related to losing a close friend or family member. Compared to emotions such as grief and longing, customers may develop a sense of yearning after being fired from a firm. Defined as having an intense feeling of loss or strong desire for something (MacInnis and Chun 2007), yearning may be experienced in relationships between consumers and products, brands, and firms (Shimp and Madden 1988). Described as a loss-related emotion, yearning is compared to emotions such as pining or longing (Bowlby 1978), which often result in feelings of sadness (Sbarra and Ferrer 2006) and anger (Davis et al. 2003).

Because yearning is associated with intense feelings and strong desires, specific distinctions can be made between yearning and other loss-related emotions. For example, while yearning represents the intensity of hope (MacInnis and de Mello 2005), it is important to determine how hope and yearning differ. Although hope is defined as a “positive emotion that varies as a function of the degree of yearning…” (MacInnis and de Mello p. 47), it is possible for a customer to develop a sense of yearning without having hope. Specifically, the conceptualization of the degree of importance, deficiency, and goal congruity (Lazarus 1991; MacInnis and de Mello 2005) suggests an important dissimilarity between hope and yearning.

Compared to hope, yearning is associated with the importance of outcomes. While consumers may hope to acquire something that is trivial, yearning is only present when the outcome is appraised as important (MacInnis and Chun 2007). Another factor
that differentiates hope from yearning is the perception of deficiency (Lazarus 1999). When a current life circumstance is viewed as unsatisfactory, a person is more likely to develop a greater yearning for a solution as compared to someone who is experiencing less deprivation (Rycroft 1979). For example, a person in serious financial trouble will yearn for a solution, while another person in better financial standing may merely hope to gain access to a greater income. Yearning also differs from hope when evaluating the certainty associated with an outcome. Whereas yearning for a goal congruent outcome that is guaranteed to happen will evoke feelings such as joy, yearning for an outcome that is appraised not to happen causes feelings of despair (MacInnis and de Mello 2005). Lastly, yearning differs from hope as a result of desire. Because consumer desire is a passionate emotion based on fantasies as opposed to reasoned judgments (Belk et al. 2003), a customer may develop an intense yearning for a product or service for which they desire. Since we tend to develop the greatest desire for things that are least likely to occur (MacInnis and Chun 2007), yearning may occur absent of hope, as hope requires the possibility of occurrence.

Because of SET’s focus on the value of resources received from a relationship, the research model suggests that the act of being rejected will cause some consumers to yearn for the relationship to continue. Similar to the way that relationship partners develop bonds that continue to exist even after separation (Bowlby 1973), it is not surprising that an emotional yearning for closeness is often the result of prior rejection experiences (Twomey et al. 2000). Further, because rejection often leads to feelings of dependence (Rohner 2004), individuals may develop a frequent and intense yearning for comfort from significant others similar to “divorce pains” (Weiss 1975). As a result of
these feelings of dependence, yearning, as opposed to hope, is put forth as a more suitable emotion to explain this relationship. While a consumer may hope to reestablish a prior relationship, if the situation involves a relationship seen as valuable to the consumer, this study proposes that the consumer will develop a yearning to be reestablished with the firm. Thus, formally hypothesized:

H3: Perceived rejection will be positively related to customer yearning

_Betrayal._ While betrayal can be defined in a variety of ways, a concise definition provided by Fitness (2001 p. 2) is that “one party in a relationship acts in a way that favors his or her own interests at the expense of the other party’s interests.” Further, Fitness (2001) suggests that betrayal lies in the knowledge structure of the relationship; that is, the theories, expectations, and beliefs about how a relationship should work. As a result, perceived betrayal, or the belief that a firm intentionally violated norms in the context of their relationship (Elangovan and Shapiro 1998; Grégoire and Fisher 2008; Koehler and Gershoff 2003; Ward and Ostrom 2006), is a motivator for several types of customer behaviors.

The relationship between rejection and betrayal is founded on the concept of relational evaluation. Because rejection represents relational devaluation (Leary et al. 2001) and betrayal sends a signal of how little the betrayer cares about the other party (Fitness 2001), the connection between the two concepts is rather intuitive. In support of this reasoning, Storm and Storm (1987) found that feelings of betrayal were associated with other emotions such as feeling devalued, unwanted and rejected, while Feeney (2004) stated that feelings of betrayal were hurtful, specifically because they signaled
rejection. Thus, the model shows that a relationship that is founded on exchange-based norms and expectations can have similar effects to that of a communal based relationship. Because feelings of rejection signal a decrease in relational evaluation, it is predicted that a customer will feel as if the firm has violated what is expected in the context of the relationship. Therefore, it is proposed:

H4: Perceived rejection will be positively related to a customer’s perceived level of betrayal.

**Moderating Effects of Emotional Attachment**

Attachment is described as a bond that exists between a person and a specific object (Bowlby 1978). While initially studied within the realm of the relationship between mother and infant (Bowlby 1978), the concept has been extended to include the relationship between customers and brands (Fedorikhin et al. 2008), places (Williams 1992), and service providers (Coulter 2004). The concept of customer attachment is of specific interest to the current study, as individual behavior is often a result of attachment intensity (Park et al. 2006). Although strong emotional forms of attachment intuitively result in an increased desire to maintain proximity, situations involving separation often result in feelings of distress (Thomson 2005).

The current study proposes that the relationship between perceptions of rejection and the emotions that follow will be enhanced by the emotional attachment between the customer and the service provider. Specifically, this study suggests that increased emotional attachment strengthens the relationship between rejection and betrayal. This stance is based on literature that indicates perceptions of betrayal are increased when one
party is wronged by a firm in which an assumed higher level of relationship quality exists (Gregoire and Fischer 2008). The similarities between relationship quality and emotional attachment are based on the role of affective commitment. Because affective commitment involves a perceived emotional attachment to the relationships (Morgan and Hunt 1994), the current model suggests that a customer will rely on feelings of emotional attachment when evaluating how to respond to a situation in which they feel rejected. Specifically, as attachment to the firm increases, the customer will experience higher levels of betrayal. Thus, it is proposed:

H5: Emotional attachment moderates the effects of rejection on betrayal, such that the effects are stronger when emotional attachment is strong.

The role of passion within emotional attachment implies that customers treat their relationships with firms similarly to their relationships with close friends and family members (Aggrawal 2004). Interestingly, while consumers who maintain a higher level of passion towards a firm may make impulsive purchases or report higher levels of loyalty, they may also experience distress upon separation. One explanation provided for the relationship between emotional attachment and separation distress is the association with the consumer’s self (Mikulincer and Shaver 2005). As the connection a customer experiences towards a firm is established as a causal variable for the development of emotional attachment (Fedorikhin et al. 2008), it is important to distinguish the nature by which a high level of connection may be troublesome for a consumer who experiences rejection. Specifically, as rejection decreases an individual’s perception of self-value (Heatherton and Vohs 2000), it is likely that a consumer who places a greater emphasis on this connection will experience greater levels of distress, and, as a result experience a
greater sense of yearning for the relationship to continue. Thus, it is hypothesized:

H6: Emotional attachment moderates the effects of rejection on yearning such that the effects are stronger when emotional attachment is strong.

**Behavioral Responses to Rejection**

Sociology and psychology research provides mixed views regarding how rejection influences behavior. On one hand, rejection is shown to lead to decreased performance on intelligence tests (Baumeister et al. 2002), nonconscious mimicry (Lakin and Chartrand 2005), violent tendencies (Leary et al. 2003), and aggression (Twenge et al. 2001). On the other hand, rejection also encourages group contributions (Williams and Sommer 1997), conformity to incorrect judgments (Williams et al. 2000), and the development of social bonds (Baumeister and Leary 1995). The debate between prosocial and antisocial behaviors following rejection is intriguing because both arguments have sound theoretical support. For example, some scholars (Baumeister and Leary 1995) suggest that prosocial behavior may result from rejection because of the inherent need to belong. As rejection eliminates a sense of belonging, one would assume that a person would act prosocially to regain acceptance into the group. In contrast, rejection may cause a person to feel as if they have lost control and may lead to efforts to regain power, get even, or reestablish control (Leary et al. 2006).

**Revenge Behaviors in Response to Rejection**

The concept of antisocial reactions to rejection are somewhat paradoxical (Twenge et al. 2007). If foundational theories on the need for human belongingness are true, one would expect a person to behave in a manner that supported social acceptance;
however, the social psychology literature provides several examples of rejection leading to behaviors that actually discourage acceptance. For example, rejection is shown to cause individuals to inflict pain on innocent targets (Warburton et al. 2006) and derogate other people (Twenge et al. 2001).

Many violent acts that are reported in the popular press imply that violent actions are a result of aggressors feeling as if they were socially excluded from society. For example, the shootings at Virginia Tech and Columbine have both been referenced in academic papers reporting on the behavioral effects of rejection (Lakin and Chartrand 2005). An additional analysis of school shootings led Leary et al. (2003) to conclude that thirteen of the fifteen shootings that were reported throughout the 1990’s involved interpersonal rejection. This relationship between rejection and aggression has been explained using a variety of plausible explanations ranging from the need to regain control (Warburton et al. 2003) to the need to improve one’s mood (Leary et al. 2006). However, because the current study introduces the role of rejection into a setting involving economic exchange, consumer reactions are expected to be governed by different norms than those that apply to communal relationships.

Prior research suggests that revenge is an antisocial behavior associated with rejection (Leary et al. 2006). Defined as a customer’s need to harm firms for the damage they have caused (Grégoire and Fisher 2006), revenge is regularly seen as an undertaking that follows a perceived wrong, resulting in a person attempting to restore justice or fairness. When applying the concept of revenge to a consumer context, scholars have identified specific behaviors that encompass the act of getting even with the firm (Huefner and Hunt 2000; Zourrig et al. 2009; Gregoire et al. 2010). In line with these
prior works, revenge behaviors that are available to consumers are negative word-of-mouth, vindictive complaining, and third party complaining for publicity.

In the current setting, negative word-of-mouth (NWOM) is defined as the act of complaining about a retailer to family and friends (Blodgett et al. 1993). Unlike revenge behaviors that involve direct contact with the firm or the firm’s employees, NWOM takes place away from the firm and is therefore considered an aggressive private response (Singh 1988). NWOM is viewed as particularly harmful because it creates negative attitudes among other customers (Gelbrich 2010), thus resulting in an attempt to ruin a firm’s reputation. Another form of indirect revenge utilized by customers is the act of complaining to a third party for publicity. Similarly to NWOM, third party complaining for publicity effectively harms the firm’s public image by visibly publicizing the failure to a vast audience (Ward and Ostrom 2006; Gregoire and Fischer 2008). The last behavior conceptualized as revenge behaviors in this study is the act of vindictively complaining to the firm. Conducted to inconvenience and abuse a firm’s employees, vindictive complaining is a direct form of retaliation aimed at criticizing the firm (Hibbard et al. 2001).

The current model states that perceived betrayal will play an important role in the relationship between rejection and revenge. This association is consistent with the idea that, upon experiencing feelings of betrayal, a person may decide that the offense is unforgivable and seek revenge (Fitness 2001). In what appears to be a natural progression, research (e.g. Gregoire and Fischer 2008) supports the notion that people seek revenge upon feeling betrayed. From a biological perspective, PET scans show that reward pathways in the brain are activated when a betrayed individual is allowed to levy
the maximum fine to the offender (De Quervain et al. 2004). In a consumer based context, Gregoire et al. (2009) found that loyalty was unable to buffer this effect, as devoted customers had an increased desire for revenge following a service failure that resulted in feelings of betrayal. Because of the nature in which rejection causes feelings of relational devaluation, the current model suggests that perceived betrayal should be considered an important mediating variable between the relationship between rejection and revenge behaviors. Based on the previously supported roles of betrayal in decisions to seek revenge, it is predicted:

H7a: The relationship between perceived rejection and revenge behaviors is mediated by perceived betrayal

H7b: The relationship between perceived rejection and NWOM is mediated by perceived betrayal

**Reconciliation in Response to Rejection**

Prosocial behavior, by definition, is behavior that is performed to benefit others (Twenge et al. 2007). Upon being rejected, people do not always aggress; specifically, they may try to win back acceptance through ingratiation, conformity or prosocial behavior (Williams et al. 2000). Moreover, rejection encourages a variety of prosocial behaviors including exerting more effort in group projects (Williams 2007) and increased attempts to form social bonds (Maner at al 2007). Further, it is possible that social inclusion, like hunger, is something that people will strive to fulfill when deprived (Gardner et al. 2000). Though predominately applied to communal based relationships, the current model suggests that the same logic may apply to customers in that, upon being
rejected, they may behave prosocially by choosing reconciliatory behaviors as opposed to revenge behaviors.

Several studies have discovered a relationship between traumatic events and positive outcomes (Calhoun et al. 2000; Lewandowski Jr and Bizzoco 2007). After experiencing a transgression, a common behavioral response involves the concept of reconciliation, defined as a behavior that results from forgiveness in which the victim extends acts of goodwill in hopes of restoring the relationship (McCullough et al. 1997). As in past research (Aquino et al. 2001), this study focuses specifically on the behavioral expression of forgiveness, as it is more likely to directly affect the relationship between the firm and customer.

Given the current focus on the behavioral decisions that follow experiences of relational devaluation, this study suggests that customers may attempt to reestablish the previous relationship through various acts of reparatory behaviors. While sharing many similarities, it is important to distinguish between forgiveness and reconciliation. Forgiveness is defined as a “prosocial change toward a perceived transgressor” (McCullough 2001). Although frequently applied to topics including infidelity (Hall and Fincham 2006), workplace transgressions (Goodstein and Aquino 2010), and relationship dissolution (Bono et al. 2008), forgiveness is excluded from the current study as it is possible to forgive the offender while having no interest in restoring the relationship (Goodstein and Aquino 2010). Conversely, forgiveness also differs from reconciliation in that a person may attempt to repair the relationship, while having not forgiven the offender. For example, research (e.g. Aquino et al. 2006) suggests that victims who see a
relationship as beneficial may elect to reconcile with the offender even while possessing strong feelings of anger and resentment.

From the firm’s perspective, reconciliation can be achieved by exchange or repair of a defective product, offering a discount, or apologizing (Bowen et al. 1999; Smith et al. 1999; Gregoire and Fischer 2008). However, when a customer decides to reconcile a relationship with a firm, there are a variety of options that are available. One opportunity for reconciliation involves problem-solving complaining to the firm (Hibbard et al. 2001). Described as a customer complaint intended for problem resolution (Gregoire and Fischer 2008), problem-solving complaining is viewed as constructive in that the customer is attempting to resolve the problem as opposed to negatively impacting the firm (Folkes et al. 1987). Another strategy available to customers who are attempting to revive a relationship with a firm is third party complaining for dispute resolution (Gregoire and Fischer 2008). As with problem-solving complaining, third party complaining for dispute resolution is elected when the customer wants to repair the relationship as opposed to punish the firm. However, unlike problem-solving complaining, third party complaining for dispute resolution is voiced to an outside party to gain support or guidance regarding the best method to have the issue resolved (Gregoire and Fischer 2008).

When evaluating a situation in which a person is involuntarily removed from a relationship, it is important to recognize the impact of emotions that encourage an individual’s longing for the reestablishment of the relationship. Odekerken-Schroder et al. (2010) likened the yearning that prior customers experienced to the divorce pains described by Weiss (1975, p. 131): “a response to the intolerable inaccessibility of the
attachment figure.” While this inaccessibility may incite certain individuals to respond in a negative manner, it may also encourage a greater attempt at reconciliation. McCullough et al. (1997) found that, because people often yearn for positive contact with a source of rejection, individuals may feel less of a need to seek revenge and are more motivated towards reconciling the relationship. Specific to this study, yearning supports the idea that some consumers will actually want to remain in the relationship even after the firm has taken steps to terminate the union. Additionally, just as transgressions may reinvigorate an exciting relationship (Aaker et al. 2008), an increased yearning for the firm may be what motivates a customer to reconcile a dissolved relationship. Thus, this model proposes:

H8: The relationship between perceived rejection and reconciliation behaviors will be mediated by the customer’s level of yearning.

Prosocial and Antisocial Responses to Rejection

As the current study puts forth hypotheses that proffer relationships between both prosocial and antisocial responses to rejection, it is important to recognize that these reactions are not mutually exclusive. Specifically, as supported in prior studies (e.g., Otnes et al. 1997) consumers are capable of experiencing a wide variety of both positive and negative emotions in a single consumption episode. While yearning and betrayal are different responses to situations involving relationship termination, the current study suggests that both emotions can be experienced simultaneously. In fact, recent research suggests that people often attempt to reestablish a relationship even after experiencing betrayal regardless of the severity of the betrayal (Finkel et al. 2002). For example, it is possible that a customer can feel betrayed because they feel that the firm violated the
norms of the relationship, yet, after evaluating the situation, realize that they yearn to have the relationship reestablished.

Many inconsistencies in the rejection literature can be explained by understanding that people respond to relational devaluation in a variety of ways (Richman and Leary 2009). As with emotions, the behavioral responses to rejection may also appear concurrently. Studies within the workplace provide support as Aquino et al. (2006) find that revenge and reconciliation are slightly negatively correlated, thus suggesting that a person can choose to behave in both ways simultaneously. Although the idea that a customer will behave in such a manner seems counterintuitive, it is possible that a customer may spread NWOM to their peers, while also trying to repair the relationship with the firm (Aquino et al. 2006).
CHAPTER 3 METHOD

The current research uses a retrospective experience methodology to explore the role of rejection experienced by customers who were terminated by an insurance firm. The decision to collect data from respondents within the insurance industry is based on the high prevalence of both direct and indirect relationship termination strategies. Prior research aimed at exploring the ways in which customers respond to service failures (Tax et. al. 1998), the retaliatory behavior of employees (Aquino et al. 2001), and research focused on emotions (Fridja et al. 1989) are often studied using a retrospective experience methodology (Gregoire and Fischer 2008). This methodology is appropriate for the current study, as it involves asking respondents to complete scaled responses related to questions involving emotions and behaviors that took place following a specific incident.

As recommended by Ruth et al. (2002), the current study also utilized a critical incident technique (CIT) to collect data. Because these specific occurrences represent discrete moments that lead to specific consumer reactions (Bitner et al. 1985), service failure researchers have embraced the use of CIT. CIT studies are particularly useful when the topic of research is relatively undocumented (Grove and Fisk 1997) and when a thorough understanding of an event is needed (Bitner et al. 1990; Gremler 2004). With a goal of examining the incident from the perspective of the respondent (Chell 1998), CIT studies begin by having the respondent tell a story about an incident. After the
information in the stories is analyzed, researchers are able to note the frequency and patterns of any factors that contribute to the phenomenon of interest (Gremler 2004).

Design

In an attempt to gather qualitative data through open-ended questions, validate different scales, and test specific hypotheses, this study used a cross sectional design that included the use of a questionnaire. Respondents were asked to recall and answer questions based on their relationship with their previous insurance provider. The survey consisted of two specific parts; one based on the collection of qualitative data, and one focused on gathering information through the use of a structured questionnaire.

The first section of the questionnaire asked respondents to explain certain aspects of their previous insurance relationship. This exercise is valuable, as the gathering of rich qualitative data will contribute to a complete understanding of how the customer viewed the relationship before, during, and after the termination process. The second section of the questionnaire used structured questions to measure various constructs in order to test the hypotheses.

One pretest of the questionnaire was conducted with 100 customers who had recently ended relationships with insurers. Subjects were asked to identify any problems associated with the instructions, constructs, question clarity, or any other issues relevant to the questionnaire. Upon evaluating the recommendations, the questionnaire was modified based on the feedback received.
Sample and Procedure

The sample frame consisted of current and past customers of a large insurance company in Canada. Collecting data from this insurance company is appropriate for the current study because of the type of customers who receive insurance from this company. Specifically, because this company provides a large variety of insurance packages, the company’s customer base is made up of a wide variety of customers, as opposed to only high or low risk customer segments. This customer diversity improved the likelihood of receiving feedback from customers who had experienced both direct and indirect forms of relationship termination.

Given the focus of the current study, two groups of customers were surveyed. One group is currently insured by the sampled insurance company as a result of being terminated by their previous insurer. These customers were terminated for a variety of reasons, including failure to pay their premium, criminal acts, and failure to complete the requests of their previous insurer. The second group is made up of customers who recently left the sampled insurance company. These customers reportedly left because of an increase in premium. Because of the importance of measuring the full range of directness used by the firm, this study combined both groups of customers to ensure that sufficient variance would be established within the directness construct. Moreover, by including both segments of customers provided by the insurance company, this sample was more likely to capture a greater range of directness scores. Both groups were selected in order to provide sufficient variance between indirect and direct termination strategies.
In the first email, respondents were invited to participate in the study by completing the first questionnaire hosted at Qualtrics.com. To encourage participation, respondents who completed the questionnaire were included in a drawing for various cash prizes. As recommended by Armstrong and Overton (1977), nonresponse bias was evaluated by comparing early and late respondents.

The participating insurance company had contact information for thousands of customers who were either directly terminated by their previous firm or chose to leave their previous insurer for a variety of reasons (e.g., price increase, decrease in service, etc.). One thousand surveys were distributed to the customers who had their insurance policy canceled by their previous insurer. Because a variety of reasons were anticipated for leaving from the indirectly terminated group, twenty-five hundred surveys were distributed to the customers who left their previous insurers for other reasons.

As stated by Hair et al. (2013) “PLS-SEM minimum sample size should be equal to the larger of the following: (1) ten times the largest number of formative indicators used to measure one construct or (2) ten times the largest number of structural paths directed at a particular latent construct in the structural model. As a result, the current model will require a minimum sample size of 80 respondents.

Overall, 310 insurance customers completed the questionnaire. Of the customers who finished the survey, 171 were dropped because they did not acknowledge the firm’s attempt to terminate the relationship. This was determined by eliminating all respondents who indicated that the firm was not responsible for their decision to leave. Although these customers still may have been victims of an indirect termination, the decision was
made to eliminate them from the study because they did not acknowledge or were 
unaware of the firm’s motives. Listwise deletion was used to eliminate six additional 
respondents from the analysis because of missing responses to key constructs. Based on 
the minimum sample sizes set forth by Hair et al. (2011), 133 respondents provided a 
sufficient sample size to test the dimensionality of key constructs and to test the 
hypotheses. Of the customers who completed the survey, 62% were male, 35% were 
between the ages of 31-45, 31% were college educated, and 35% earned an income above 
$60,000 a year.

**Questionnaire and Measurement**

Because of the novelty of both perceived rejection and yearning, the scales for 
both constructs were pretested and assessed for psychometric properties, including both 
reliability and validity. Specifically, a convenience sample comprised of customers who 
recently switched insurers was asked to complete the questions regarding their sense of 
rejection and yearning. This particular group was selected because of their recent 
experience with an actual relationship ending.

In the current study, respondents were asked to describe both their relationship 
with the previous insurer at the time of the termination and the situations that led up to 
the termination. Respondents were asked to respond to a series of scales regarding their 
emotional and behavioral responses. The scales are described below.

*Termination judgments.* In an attempt to ensure representation for each type of 
termination strategy, the surveys were administered to two groups of customers. The 
degree to which the termination was viewed as indirect or direct was assessed using three
semantic differential items used to describe the actions used by the previous insurer when ending the relationship. The open-ended, critical incident information was used to determine if the customers viewed the termination as direct or indirect. Because each group had a different experience with the ending of their relationship, the questions addressing their relationship departure will differ. The group that was directly terminated was asked the following questions.

- Please describe your relationship with your previous insurer before the relationship ended.
- Please describe what happened that caused the firm to end your relationship.
- Please describe how your previous insurer ended your relationship.

The group of customers that experienced a less straightforward relationship ending were asked the following questions.

- Please describe your relationship with your previous insurer before the relationship ended.
- Please describe what happened that caused you to leave your previous insurer.
- Please describe how the relationship ending took place.

Adequacy of Explanation. The adequacy of the explanation provided was measured using three items based on scales developed by Bies and Shapiro (1987). These items asked the respondents to rate the extent to which they agree with statements about
the reasons provided for the ending of the relationship. Cronbach’s alpha for this measure was .96.

*Perceived Rejection.* To determine the extent to which customers felt rejected, participants rated their agreement with eight items from the previously validated Perceived Exclusion and Felt Ignored scales (Williams 1997; Gomez et.al 2011). The items were derived from MacDonald and Leary’s (2005) definition of rejection (e.g. “I felt excluded”, “I felt disliked”) with respondents being asked to rate those feelings from *not at all* to *very much* resulting in a Cronbach’s alpha of .91.

*Yearning.* Yearning was measured using five items addressing the degree to which the customer wanted a relationship with their previous insurer. Each item was scored on a seven-point scale ranging from Strongly Disagree to Strongly Agree. Given the importance and novelty of this construct, 20 doctoral students were asked to evaluate the extent to which each item represents the conceptual definition. The five items that were judged to represent the conceptual definition most closely were used for the questionnaire. In line with MacInnis and Chun (2007), the items were measured using a seven-point scale with a Cronbach’s alpha of .85.

*Perceived Betrayal.* Betrayal was measured using scales based on the work of Bardhi et al. (2005) and Gregoire et al. (2008). The items measured the extent to which customers felt betrayed, lied to, and cheated by the firm. Betrayal is also analyzed by asking the customers the extent to which they felt that the firm broke a promise, violated confidence, and let them down (Gregoire et. al 2009). Each item was scored on a seven-point scale ranging from Strongly Disagree to Strongly Agree resulting in a Cronbach’s
alpha of .95.

*Emotional Attachment.* Emotional attachment was measured with four items developed by Thomson et al. (2005), which ask customers to identify the extent to which each of the specified emotions describes their feelings towards their previous insurer. The four items were measured on a seven point scale anchored with the statements “clearly does not describe my feelings” and “clearly describes my feelings.” The Cronbach’s alpha for this item .88.

*Reconciliation.* Reconciliation was measured using a previously validated measure (Aquino et. al 2001). Originally adapted from Wade’s (1989) conciliation subscale, this measure assesses the extent to which the customer made an effort to make amends, attempted to renew the relationship, and made an effort to be more friendly and concerned. Each item was scored on a seven-point scale ranging from Strongly Disagree to Strongly Agree resulting in a Cronbach’s alpha of .77.

*Revenge behaviors.* Revenge behaviors were measured using items based on the revenge scale used by McColl-Kennedy et al. (2009). As a tool to determine revenge behaviors, respondents were asked to report the extent to which they took action in seeking revenge including behaviors such as took action to get revenge and attempted to punish the firm. Each item was scored on a seven-point scale ranging from Strongly Disagree to Strongly Agree with a Cronbach’s alpha of .93.

*Negative Word of Mouth.* Negative Word of Mouth (NWOM) was measured using scales developed by Maxham and Netemeyer (2002), which asks respondents to rate the degree to which they spread NWOM, denigrated the firm to friends and
discouraged use of the firm’s products or services to a friend. Each item was scored on a seven-point scale ranging from Strongly Disagree to Strongly Agree. This item reported a Cronbach’s alpha of .87.

Control Variables The current study controlled for a variety of situational variables that may impact consumer responses. The measurement for anger was based on the work of Shaver et al. (1986) and asked respondents to indicate on a seven-point scale the extent to which they felt angry, outraged, and resentful (Cronbach’s alpha .92). The severity of the decision was measured using a seven-point scale put forth by Smith et al. (1999). Respondents were asked to rate the severity of the termination decision by scoring the extent to which the decision caused a problem and was an inconvenience. Cronbach’s alpha for this measure was .96. Negative affect was measured using a seven-point scale validated by Watson et al. (1988). Customers were asked to score the degree to which they had a fiery temperament, were quick tempered and hot-headed resulting in a Cronbach’s alpha of .89.

Analytic Approach

Partial Least Squares Structural Equations Modeling (PLS SEM) was used to test the research hypotheses. PLS SEM is based on an iterative combination of principal components and regression aimed at explaining the variance of individual constructs (Fornell and Bookstein 1982). PLS has gained popularity within marketing research because of its abilities to work with greater numbers of constructs and smaller sample sizes (Hair et al. 2012). Further, causal models provide researchers with multiple benefits, including (1) adding precision to theory, (2) permitting a more complete representation of
complex models, and (3) providing a framework for constructing and testing both
theories and measures (Bagozzi 1980). The use of PLS in the current context is based on
the large number of constructs in addition to the limited number of respondents (Hair et
al. 2011).
CHAPTER 4 RESULTS

This section presents the results of testing the hypotheses presented above. First, this study describes the use of the outer loadings from the PLS model and exploratory factor analysis to establish reliability and construct validity. After discussing the procedure used to evaluate common methods bias, I explain the use of PLS to test the direct and moderation effects hypothesized in the model. Finally, I discuss the procedures involved in testing for mediation using the method recommended by Iacobucci et al. (2007).

Reliability and Construct Validity

Exploratory Factor Analysis. A pretest was conducted to validate the scales used to measure each construct. Given the novelty of both rejection and yearning, additional attention was given to the psychometric properties of those scales. As a first step to evaluate the underlying structure of each construct, an exploratory factor analysis was conducted. Beginning with seven items for rejection and eight items for yearning, two factors were requested and, after rotation, the first factor had an eigenvalue of 4.1 and accounted for 27% of the variance whereas the second factor had an eigenvalue of 3.9 and accounted for 27% of the variance. In line with established benchmarks (Bagozzi, 1980), items with loadings greater than .7 were retained. As shown in Appendix 1, the first factor, which represented yearning, had four loadings greater than .7. The factor indexing rejection also had four loadings that were greater than .7. As an additional
measure, the initial 15 items were reviewed by experts to ensure that the selected items were not chosen because of redundancy. The experts were asked to review each of the measures and identify the items that most closely matched the definition of each construct. After considering the feedback from the expert review, I ran an EFA of the remaining items that resulted in one factor with an eigenvalue of 3.52, which explained 44% of the variance in yearning and a second factor with an eigenvalue of 1.9 that explained 24% of the variance in rejection.

**PLS Measurement Model**

After using the pretest data to assess the psychometric properties of the measures, the data collected for the main study were analyzed to validate the prior findings. More specifically, the items used to measure each construct were analyzed based on the outer loadings of the PLS model. The outer model provides additional validation for measures, as the reliability and discriminant validity of constructs are two criteria by which PLS models are evaluated (Hulland 1999). First, item reliability is assessed by examining the loadings for each construct. The accepted heuristic states that a minimal loading of .7 is optimal, thus the current study exceeds the minimum standards with the lowest loading registering at .71. Next, the internal consistency of the scales is analyzed using the construct reliability method suggested by Fornell and Larcker (1981). Although similar to Cronbach’s alpha (see Appendix 2), this method is more appropriate for PLS because it uses the parameters estimated by the structural model. Nunally (1978) states that internal consistency is established when all values exceed .7. To evaluate the convergent validity of each construct, I relied on the heuristic provided by Fornell and Larcker (1981) regarding the use of the average variance extracted (AVE). Specifically, Fornell and
Larcker state that the AVE should be above .50 to support the convergent validity of the construct. As reported in Table 1, each AVE is above .50, showing that the items used to measure the constructs are in fact related. Finally, the discriminant validity of each construct is evaluated in two ways. After examining cross-loadings to ensure that no item loads more heavily on another construct than its intended one, the discriminant validity is examined by comparing the average variances extracted (AVE) to the shared variances. Specifically, the square root of the average variance extracted of each construct is compared to correlations of the other constructs (Fornell and Larcker 1981). As shown in Table 1, the current items pass the initial test of discriminant validity as each item displays the highest loadings on its designated construct. Further support is provided, as the square root of the AVE for each construct is greater than its correlations with other constructs.

**Common Methods Bias**

Because several constructs in the model are measured with self-reported scales gathered at a single point in time, mono-method or common method bias (CMB) may pose a problem. Defined as variance that is attributed to the method of measurement (Podsakoff et al. 2003), many scholars question the role that CMB plays in behavioral research (Conway and Lance 2010). In order to assess common methods bias (CMB), I used the procedure recommended by Lindell and Whitney (2001), which involves identifying the two lowest correlations among the manifest variables within the dataset to act as estimates of methods bias in the data. From that point, the more conservative bias estimate is used to create a discounted correlation matrix, which is then compared to the
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<td>3. Direct</td>
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<td>.11</td>
<td>.90</td>
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</table>

Note: The square root of the averages variance extracted are shown in bold characters

* Correlation is significant at the .05 level
** Correlation is significant at the .01 level
unadjusted matrix. If neither the sign nor the significance changes across the matrices, it is concluded that methods bias does not pose a significant risk to the interpretation of the data (Brady et al. 2011). As shown in Table 2, the largest change across the unadjusted and adjusted matrices was only .03, which indicates that methods bias poses little threat to the interpretation of the data.

**Structural Model**

To test the hypothesized relationships, PLS requires the use of a resampling procedure called bootstrapping to establish the significance of the relationships. Unlike covariance based SEM, PLS makes no distributional assumptions, thus voiding the use of traditional parametric procedures (Fornell and Bookstein 1982). The process of bootstrapping involves the creation of a new sampling distribution by a repeated random sample with replacement from the original sample (Davison and Hinkley 1997; Hair et al. 2011). Table 3 reports the variance explained for each variable, the path coefficients of the model and the corresponding t-values (based on 500 samples).

**Controls**

The controls included in the model are negative affect, anger and severity of the decision. As shown in Table 3, two of the control variables had a significant impact on the behaviors chosen by the terminated customers. While anger reduced the customer’s desire to reconcile with the firm, negative affect failed to significantly influence any of the consumer’s behaviors. Interestingly, the severity of the decision was not related to NWOM, yet it did decrease the customer’s desires to seek revenge and increased the likelihood that a customer would attempt to reconcile the relationship.
TABLE 2
Common Methods Bias Analysis

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<td>-0.17</td>
<td>0.40</td>
<td>-0.04</td>
<td>-0.02</td>
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</tbody>
</table>

Notes: The first value in the cell is the correlation, the second value listed is the correlation corrected for methods bias using the lowest correlation, and the third value is the correlation corrected for methods bias using the second lowest correlation.

AE – Adequacy of Explanation
EA – Emotional Attachment
NWOM – Negative Word of Mouth
## TABLE 3
Results of PLS Model

<table>
<thead>
<tr>
<th>Relationships</th>
<th>Model 1: No Interactions</th>
<th>Model 2: With Interactions</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>R²</td>
<td>β</td>
</tr>
<tr>
<td>Rejection</td>
<td></td>
<td></td>
</tr>
<tr>
<td>H1: Termination Strategy → Rejection</td>
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<td>Adequacy of Explanation → Rejection</td>
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<td>-.37</td>
</tr>
<tr>
<td>H2: Termination Strategy * Adequacy of Explanation → Rejection</td>
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<td>.14</td>
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<tr>
<td>Yearning</td>
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</tr>
<tr>
<td>H3: Rejection → Yearning</td>
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</tr>
<tr>
<td>Emotional Attachment → Yearning</td>
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<td>.17</td>
</tr>
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<td>H6: Rejection * Emotional Attachment → Yearning</td>
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<td>Emotional Attachment → Betrayal</td>
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<td>.03</td>
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<td>H5: Rejection * Emotional Attachment → Betrayal</td>
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<tr>
<td>Revenge (R²)</td>
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<td>H7a: Rejection → Betrayal → Revenge</td>
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</tr>
<tr>
<td>• Anger → Revenge</td>
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<td>• Negative Affect → Revenge</td>
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<td>.03</td>
</tr>
<tr>
<td>Negative WOM</td>
<td>.18</td>
<td></td>
</tr>
<tr>
<td>H7b: Rejection → Betrayal → NWOM</td>
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<td>.09</td>
</tr>
<tr>
<td>• Anger → NWOM</td>
<td></td>
<td>.14</td>
</tr>
</tbody>
</table>
Overall Model Explanatory Power

Although PLS does not provide a fit statistic, Chin (1998) suggests that by analyzing the paths and changes in $R^2$ a general idea of model quality can be deduced. To assess explanatory power, the full model is compared with a partial model that only includes the control variables. First, I performed an F-test to determine if the change in $R^2$ for the dependent variables is significantly different between the full model and control-only model (Siponen and Vance 2010). By calculating $f^2$, $f^2 = (R^2_{\text{full}} - R^2_{\text{partial}}) / (1- R^2_{\text{partial}})$ (Chin et al. 2003), an effect size is determined such that .02 represents a small effect size, .15 a medium effect size, and .35 a large effect size (Cohen 1983). The hypothesized model has a small effect on explaining NWOM and a medium effect on explaining reconciliation (see Table 4).

Direct Effects

During the first step in the analysis of the structural model, I examined the main effects. H1 posits a positive relationship between the level of directness used in the termination strategy and the customer’s perceived level of rejection. By examining the

<table>
<thead>
<tr>
<th>Reconciliation</th>
<th>.13</th>
<th>.25</th>
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</thead>
<tbody>
<tr>
<td>H8: Rejection → Yearning → Reconciliation</td>
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<td>3.05 ***</td>
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<td>• Severity of Decision → Reconciliation</td>
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<td>2.66 ***</td>
</tr>
<tr>
<td>• Negative Affect → Reconciliation</td>
<td>.04</td>
<td>.77</td>
</tr>
</tbody>
</table>
path coefficient, I determined that the directness of the termination strategy had a significant, positive effect on the customer’s perceived level of rejection (H1: $\beta = .35$; $p < .01$). From that point, the model suggests that the customer’s perceived level of rejection will have a positive impact on the customer’s level of yearning (H3) and betrayal (H4). The results from the PLS model support the positive link between rejection and betrayal (H4: $\beta = .72$; $p < .01$), but not the effect on yearning (H3: $p > .05$). The paths described above account for 37% of the variance in a customer’s perceived level of rejection, 51.6% of a customer’s level of betrayal, and 6% of their level of yearning (Table 3).

**Interaction Effects**

*Moderation.* Because SmartPLS allows the inclusion of moderating variables in the model, path coefficients are provided to explain any interaction effect that is present. The results specified by the PLS analysis offered support for two of the three hypothesized interactions.
The first interaction effect of interest is the role that an adequate explanation plays in the relationship between the termination strategy and the level of rejection experienced by the customer. The interaction between adequacy of explanation and termination directness was significant (H2: $\beta=.14; p<.05$), suggesting that, in certain situations, an adequate explanation for the reason of the termination may act as a buffer to lessen the amount of rejection a customer experiences. To interpret the meaning of the interaction effect, I followed the procedure recommended by Cohen and Cohen (1983) and plotted the relationship between adequacy of explanation and termination directness using conservative standardized values of “1” and “-1” (see Figure 2). Specifically, when the termination strategy is indirect, an adequate explanation will reduce the level of rejection experienced by the customer. However, when the termination is viewed as more direct, an adequate explanation has limited effect.

**FIGURE 2**

The interaction effects “Termination Strategy by Adequacy of Explanation” in predicting the level of rejection
Next, the model states that the interaction effect between emotional attachment and rejection will have a significant impact on the level of yearning experienced by the customer. As shown in Figure 3, the interaction was significant when predicting yearning (H6: $\beta=-.21; p < .01$). This effect is interpreted to mean that emotional attachment has little effect on the rejection-yearning relationship when the level of rejection is high. However, when customers feel relatively little rejection, customers with higher levels of emotional attachment will experience greater levels of yearning. Simply put, emotional attachment is especially important in the development of yearning when the customer feels slightly rejected as opposed to strongly rejected.

Hypothesis 5 involves the influence that emotional attachment has on the betrayal that results from a rejection experience. Although rejection was shown to positively impact betrayal, the inclusion of emotional attachment does not yield a significant
interaction effect (H5: $\beta=.04; p>.05$). Moreover, this finding shows that a customer will likely experience feelings of betrayal following a rejection experience regardless of the level of attachment they have with the firm.

Mediated Effects. In order to test the three mediated relationships hypothesized in this study, I conducted 5000 bootstrap resamples tests to establish the statistical significance of the indirect effects. Although the Sobel test is commonly used in assessing mediation effects, bootstrapping offers a better alternative in PLS studies because it does not impose any distributional assumptions (Henseler et al. 2009). To test the mediation effects within the model, I performed the Preacher-Hayes bootstrap test as recommended by Zhao et al. (2010) and Hair et al. (2012).

Betrayal. Hypotheses 7A and 7B suggest that the betrayal will mediate the effect of rejection on revenge behaviors. In order to test for any mediation effect, I first ran a bootstrap without the mediator to check for a significant direct effect between rejection and both antisocial behaviors. Although a direct effect is not required (Zhao et al. 2010), a significant direct effect makes the mediation analysis easier to interpret (Hair et al. 2012). Because both direct effects were significant (Rejection $\rightarrow$ Revenge : $\beta=.15; p <.05$) (Rejection $\rightarrow$ NWOM : $\beta=.39; p <.01$), I then included the mediator and tested for the significance of the indirect paths by calculating the product of the IV to mediator path and the mediator to DV path. As shown in Table 5, both hypotheses pass the initial direct effects test, but fail to meet the requirements of the second step (Betrayal $\rightarrow$ Revenge: $\beta=-.10; p >.05$) (Betrayal $\rightarrow$ NWOM: $\beta=.09; p >.05$). As a result, it was determined that betrayal does not mediate the relationship between rejection and revenge behaviors. Although mediation was not supported in this test, it is important to note that, even when
controlling for anger, negative affect, and the severity of the decision, there is a significant direct effect of rejection on both revenge and NWOM. This finding supports the initial thought that customers do practice these types of behaviors following a rejection experience; however, betrayal is not helpful in explaining why this occurs.

*Yearning.* The next mediation effect of interest involves the concept of yearning. As stated in Hypothesis 8, a terminated customer’s feelings of rejection will lead to yearning which will, in turn, lead to reconciliatory behaviors. The same mediation testing procedure was followed, as I first tested for direct effects before including the mediator and testing for indirect effects. Support was not provided for this hypothesis as the path from IV (rejection) to mediator (yearning) was not significant ($\beta=-.02; p >.05$). As a result, I failed to show that yearning explained the relationship between rejection and reconciliation.

**Post Hoc Analysis**

Although not hypothesized in the model, additional steps were taken to determine how the interaction effect between rejection and emotional attachment might influence yearning and reconciliation. Because yearning is directly related to reconciliation and the interaction between emotional attachment and rejection did influence the level of yearning, this addition seemed like the logical next step. After conducting the Preacher-Hayes bootstrapping technique, I found that yearning did significantly influence the level of reconciliation (See Table 5) when considering the interaction effect between rejection and emotional attachment ($\beta=.09; p <.01$). This shows that yearning alone will not explain why customers respond prosocially to rejection; however, when the customer’s
### TABLE 5
Results of Mediation Tests

<table>
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<tbody>
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<tr>
<td>Negative WOM (R$^2$)</td>
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</tr>
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</table>
attachment to the firm is considered, one can then see how rejection causes the customer to want to reconcile the relationship.

*Rejection as a Mediator.* After establishing the direct effects between rejection and NWOM, revenge and reconciliation, I examined the extent to which rejection helped explain the relationship between termination directness and revenge, reconciliation, and NWOM. By applying the same procedure used with the previous mediation analysis, I discovered that rejection successfully mediated the relationship between directness and NWOM, but failed to support the link between directness and revenge and reconciliation (Revenge $\beta=.08; p > .05$; Reconciliation $\beta=-.04; p > .05$).
CHAPTER 5 DISCUSSION

The results of this study support the primary objective of this research, which was to explore the role that rejection played within situations involving customer termination. As shown in Table 6, many of the hypotheses were supported providing validation for the role of rejection in customer termination situations. As a result, this study provides further insight into ways that firms and managers can successfully manage relationship termination.

*Termination Ambiguity.* Hypothesis 1 put forth the idea that a clear, direct termination strategy would cause consumers to experience more rejection in situations involving relationship termination. H1 was supported with a significant path estimate, and 37% of the variance in the rejection experienced by the customer was explained by how directly the firm conveyed the relationship ending. This result provides an interesting perspective on the current literature surrounding customer relationship termination. Because much of the current thinking views customer divestment from a customer lifetime value perspective, many of the accepted philosophies encourage direct actions that, based on the results presented here, actually increase feelings of rejection. Moreover, many of the practices aimed at reducing the efforts of dealing with “trouble” customers may, in fact, increase the amount of time employees have to spend dealing with these customers if the customers feel the need to act on this rejection.
As a result of this discovery, H2 demonstrated to be an appropriate next step because it explores how the inclusion of an adequate explanation influences the effect of termination ambiguity on rejection. Specifically, H2 posits that an explanation of why the relationship is ending will lessen the rejection experienced by the consumer. Indeed, an explanation did affect the amount of rejection a customer experienced when being terminated by the firm; however, this was limited to situations involving a more indirect termination strategy. This result provides additional support for the practice of carefully ending relationships with consumers. Simply put, if the firm decides to end the
relationship in an indirect fashion in order to reduce rejection, the inclusion of an adequate explanation will further lessen feelings of relationship devaluation.

_Rejection and Emotion._ Hypotheses 3 and 4 posit that a customer will experience feelings of betrayal and yearning upon being rejected by the firm. As expected, the relationship between rejection and betrayal was significant, providing support for H4. While the notion that feelings of rejection will cause someone to feel betrayed seems obvious, the current study extends prior findings by showing that these emotions also exist within the realm of the customer/firm relationship.

Hypothesis 3 also relies on psychological studies to show that feelings of rejection may cause someone to yearn for the source of rejection. The direct effect of rejection on yearning (H3) was not significant. While this association has received support in different contexts, I suspect that the lack of association here is attributed to the nature of the relationship that exists within the insurance industry. Specifically, I believe that a stronger effect may be discovered if data were collected from an industry that emphasizes a higher degree of direct customer contact. Support for this assumption is explored further through the relationship hypothesized in H5.

Although rejection did not directly influence feelings of yearning, the interaction effect of emotional attachment and rejection did significantly affect yearning (H5). Simply put, a customer who has a higher level of emotional attachment will develop a greater yearning for the firm when the relationship ends. However, this is only true when the customer reports lower levels of rejection. When higher levels of rejection are present, emotional attachment has no impact on the yearning expressed by the consumer.
The interaction between emotional attachment and rejection had no effect on betrayal, thus failing to support H6.

**Rejection and Behavior.** Hypotheses 7 explored antisocial behavioral responses to rejection. The current model suggests that customers will seek antisocial behaviors because of experiencing the betrayal that results from rejection. Specifically, H7 states that feelings of betrayal will create desires to spread NWOM about the firm, while also engaging in a variety of revenge behaviors. This hypothesis was not supported.

Because betrayal failed to mediate the relationship between rejection and NWOM or revenge, I conducted a post hoc study to determine if the inability to find support for this relationship is a result of the revenge, NWOM, or the role of betrayal. An alternative model that specifies direct effects of rejection on revenge and NWOM reveals that rejection does, in fact, cause customers to respond negatively. Further, this suggests that when customers respond antisocially to rejection, it has nothing to do with feelings of betrayal.

Once it was determined that rejection alone can encourage these types of behavior, I took additional steps to determine if rejection played a role in predicting how consumers will respond to various levels of ambiguity used in the termination process. To further explore the role that rejection plays in predicting antisocial responses to direct termination strategies, I created a model that put forth rejection as a mediator between direct strategies and both revenge and NWOM. After testing for mediation using the methods recommended by Preacher and Hayes (2004), I found that rejection does mediate the relationship between direct strategies and both types of antisocial responses.
These findings provide support for the central tenet of this research; specifically, when firms directly terminated relationships with customers, feelings of rejection will cause customers to behave in a way that is harmful to the firm.

Hypothesis 8 suggests that customers may respond prosocially to an event that causes feelings of rejection. Much like H7, this hypothesis proposes that the presence of an emotion, in this case yearning, will influence the customer’s behavior response to rejection. This hypothesized relationship also failed to produce statistically significant results. However, because the addition of emotional attachment did influence the relationship between rejection and yearning, I created an additional model to see if the same interaction effect would then cause yearning to successfully mediate this relationship. As expected, the addition of this interaction did, in fact, support yearning as an important construct when explaining why customers choose to reconcile the relationship with the firm. This finding provides further support for the role of attachment within the context of the customer/firm relationship.

Because rejection was a valuable mediator in explaining how termination directness led to antisocial behaviors, I tested a similar model to see if rejection could also influence the relationship between termination directness and prosocial behaviors. The additional path states that the level of directness used by the firm will cause a person to feel rejected which will then influence the likelihood that the customer will attempt to reconcile with the firm. By following the same mediation procedures described earlier, I found that rejection did mediate this relationship. However, unlike the prior post hoc study, rejection had a negative influence on prosocial behaviors. Simply put, when the
firm directly terminates a customer, the resulting feelings of rejection will make the customer less likely to pursue prosocial behaviors.

*Control Variables.* In order to minimize the influence of additional factors on the current findings, the model included three control variables. By including measures for the customer’s negative affect, level of anger and the severity of the decision when testing this model, I am able to specify how these factors influenced the behavioral responses to rejection. Although the customer’s negative affect did not influence any of the dependent variables, the level of anger and severity of decision did impact the customer’s behavior. As expected, the level of anger experienced by the customer led to a decrease in prosocial behaviors.

The relationship between severity of decision and reconciliation provided one of the more intriguing findings of the study. The respondents actually reported a strong, statistically significant, positive relationship between severity of decision and reconciliatory behaviors. In other words, the customers stated that as the severity increases, they are more likely to attempt to reconcile the relationship. One possible explanation for this result may be in the measure used to evaluate severity of decision. In order to capture the severity of decisions construct, customers were asked to rate how much of a problem and inconvenience the ending of the relationship caused. As a result, it appears that the customers would rather reconcile the relationship than go through the hassle of purchasing insurance from another provider. In fact, the customers’ responses showed that they are willing to overlook all of the negative feelings associated with being fired by the firm just to avoid switching insurance providers.
Managerial Implications

The concept of customer relationship management is of extreme importance to both academics and practitioners. Given the constant advancements in CRM software, managers are often faced with decisions that go beyond the traditional practices of customer retention. This research contributes to this field of knowledge by highlighting a more efficient manner to sever ties with customers. Specifically, the findings of this study offer insights to minimize the negative effects of relationship termination and thus negate backlash from current or future customers.

A general conclusion from this study is that managers must be mindful of the dangers associated with rejection. Although certain situations require customer relationship termination, the firm must carefully consider the consequences of making a customer feel as if they are no longer valued by the firm. First, if not handled properly, a fired customer will very likely experience feelings of betrayal. Second, this rejection will probably cause the customer to engage in a variety of revenge behaviors including NWOM, vindictive complaining or physical attempts to harm employees. This study provides empirical evidence of the behaviors that may result from an improperly managed customer dissolution process.

One area in which managers can lessen the harmful effects of relationship termination involves the level of ambiguity used when ending the relationship. Prior research offers support for both direct and indirect termination strategies, suggesting that direct strategies convey trust while indirect strategies respect the partner’s “face” (Baxter 1985). My findings indicate that customers report higher levels of rejection, which
ultimately leads to antisocial behaviors, when direct strategies are used. Therefore it is important that managers avoid blatant declarations of relationship termination. Much like the dissolution of personal relationships, it is important that managers do their best to allow the customer to “save face” when ending the relationship. Whether this strategy involves avoiding a direct answer, being more ambiguous in the delivery or less direct when breaking the news to the customer, management must make every attempt to soften the blow when ending a relationship.

Although explanations are linked to a variety of positive customer and employee behaviors, the results from the current study showed that an explanation is effective in dampening rejection in certain situations. Specifically, an adequate explanation is best offered when the termination strategy is less direct. In situations in which the firm decides to blatantly end the relationship, an explanation will provide no value in reducing the customer’s feelings of rejection. In fact, customers may feel slightly more rejected as any explanation following a direct strategy may appear as an excuse as opposed to a sincere and/or valid reason.

Another option for successfully managing the relationship dissolution process involves the level of attachment that the customer has with the firm. Although not as easily controlled as the method of termination or explanation provided, emotional attachment is shown to influence the amount of yearning experienced by customers in certain rejection situations. When direct strategies are used and feelings of rejection are eminent, emotional attachment will not have an impact on the level of yearning experienced by the customer. However, when the firm is able to softly end the relationship with high attachment customers, there is a high probability that these
customers will want to repair the relationship. And although the firm may no longer want a relationship with that customer, it is better that the customer leave the relationship with positive feelings towards the firm.

**Future Research**

Given the lack of research on the topic of customer relationship dissolution, it is not surprising that results provided in this study have created additional questions. This study identifies promising research avenues for a variety of topics that extend beyond customer relationship termination.

First, because this is one of the first studies to include the concept of rejection within a consumer context, there are several questions left unanswered. Whereas most research on rejection is focused on personal relationships, this study recognizes that rejection may cause customers to react in similar fashion. As a result, researchers should consider a variety of antecedents and consequences of customer rejection, with the intention of developing a more thorough model to explain the impact of relational devaluation on the consumer.

Second, researchers should explore more deeply the relationship between an adequate explanation and rejection. Although prior studies support the use of explanations in reducing negative feelings, the current study did not fully support prior findings. Specifically, efforts should be employed to understand why explanations help reduce rejection in ambiguous termination scenarios, yet had no impact on rejection when the firm was direct in their actions. Future research also should focus on the various types
of explanations to see if one style is more effective than another in reducing feelings of rejection.

Third, researchers should try to replicate the current study in other customer termination contexts. Because customers can experience relational devaluation in a variety of forms (i.e., ostracism, exclusion), it is important that managers and academics understand the similarities and differences between the various types of rejection. In addition, future studies could embrace designs that focus on tracking rejection perceptions over time in an effort to understand how rejection increases or decreases as time passes from the rejection experience. A longitudinal design would allow researchers to uncover changes in prosocial and antisocial attitudes and behaviors towards the firm.

Finally, researchers should attempt to understand the interplay between rejection and the emotions and behaviors that follow. Because the current study uncovered mixed results regarding the responses to rejection, research aimed at finding exactly when customers will respond prosocially versus antisocially would provide valuable information for academics and practitioners. Experiments could be viewed as an appropriate tool for exploring these relationships, because they allow better control over the independent variables, especially those leading to rejection. In addition to dissecting the rejection-emotion-behavior link, research could explore the role that personality traits play in this sequence. Specifically, by considering many of the well-documented traits, firms could begin to better understand how to handle certain customers that rank higher in specific personality variables.
Limitations

One possible limitation of the current study is the social desirability bias that may exist given the nature of many of the antisocial behaviors. Although the study provided a high level of anonymity, it may have been swayed by the presence of social desirability bias. If this bias were present, it would reduce the variance within the antisocial measures resulting in a conservative test for these hypotheses.

A second limitation is the cross-sectional nature of the data collection. First, because the study collected all of the responses at one point in time, there is a greater likelihood that CMB could influence the results. In an attempt to counteract this issue, this study was designed to include procedural and statistical steps to minimize the influence of CMB. Second, the study could also benefit from the inclusion of a longitudinal design. In addition to helping reduce CMB, an effort to evaluate the impact of rejection over a short period of time will help to explain how customers evolve after an experience involving rejection.

Because the data was collected within the insurance industry, it is possible that many of the relationship variables were not effective in predicting behaviors because of the impersonal nature of the exchange. Additional research should attempt to replicate many of the relations-based hypotheses in an industry with higher customer-employee interactions.
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## Appendix 1
### Pretest EFA Results

<table>
<thead>
<tr>
<th>Item</th>
<th>EFA Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rejection</strong> (α = .86; AVE = .70)</td>
<td></td>
</tr>
<tr>
<td>• I felt excluded by my previous insurer</td>
<td>.80</td>
</tr>
<tr>
<td>• I felt ignored by my previous insurer</td>
<td>.77</td>
</tr>
<tr>
<td>• I felt rejected by my previous insurer</td>
<td>.81</td>
</tr>
<tr>
<td>• I felt like my insurer did not value our relationship</td>
<td>.81</td>
</tr>
<tr>
<td><strong>Emotional Attachment</strong> (α = .92; AVE = .80)</td>
<td></td>
</tr>
<tr>
<td>How accurately do the following words describe your feelings for your previous insurer?</td>
<td></td>
</tr>
<tr>
<td>• Friendly</td>
<td>.79</td>
</tr>
<tr>
<td>• Connected</td>
<td>.94</td>
</tr>
<tr>
<td>• Bonded</td>
<td>.94</td>
</tr>
<tr>
<td>• Attached</td>
<td>.92</td>
</tr>
<tr>
<td><strong>Betrayal</strong> (α = .83; AVE = .66)</td>
<td></td>
</tr>
<tr>
<td>When I think about my previous insurer, I feel…</td>
<td></td>
</tr>
<tr>
<td>• …betrayed</td>
<td>.81</td>
</tr>
<tr>
<td>• …cheated</td>
<td>.79</td>
</tr>
<tr>
<td>• …lied to</td>
<td>.80</td>
</tr>
<tr>
<td>• …that my insurer let me down in a moment of need</td>
<td>.75</td>
</tr>
</tbody>
</table>
Yearning ($\alpha = .85; \text{AVE} = .69$)
- After the relationship was over, I…
  - … had a desire to reconnect with my insurer $\quad .70$
  - … felt a longing to reestablish the relationship with my insurer $\quad .79$
  - … felt that the relationship with my previous insurer was valuable $\quad .76$
  - … felt confident that I would reestablish the relationship with my insurer $\quad .70$

Revenge ($\alpha = .94; \text{AVE} = .85$)
- After the relationship was over, I…
  - … took actions to get revenge on the insurer or its employees $\quad .89$
  - … considered ways to get revenge on the insurer or its employees $\quad .89$
  - … think about ways to sabotage the insurer or its employees $\quad .90$

Reconciliation ($\alpha = .86; \text{AVE} = .79$)
- After this incident, I believe I would…
  - … try to make amends $\quad .89$
  - … attempt to give my insurer a new start, a renewed relationship $\quad .92$
  - … make an effort to be more friendly and concerned $\quad .85$

AVE = Average Variance Extracted
## Appendix 2

### PLS Outer Model Loadings

<table>
<thead>
<tr>
<th>Item</th>
<th>PLS Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Termination Directness</strong> ($\alpha = .88; \text{AVE} = .73$)</td>
<td></td>
</tr>
<tr>
<td>- How would you describe the ending of your insurance relationship?</td>
<td></td>
</tr>
<tr>
<td>- Direct - Indirect</td>
<td>.71</td>
</tr>
<tr>
<td>- Straightforward – Not Straightforward</td>
<td>.90</td>
</tr>
<tr>
<td>-ambiguous – Unambiguous</td>
<td>.87</td>
</tr>
<tr>
<td>- Clear - Unclear</td>
<td>.92</td>
</tr>
<tr>
<td><strong>Adequacy of Explanation</strong> ($\alpha = .96; \text{AVE} = .92$)</td>
<td></td>
</tr>
<tr>
<td>- When thinking back to Essor’s/my previous insurer’s decision to end the relationship…</td>
<td></td>
</tr>
<tr>
<td>- … Essor Insurance/my previous insurer gave an adequate explanation for their decisions</td>
<td>.97</td>
</tr>
<tr>
<td>- …Essor Insurance/my previous insurer gave enough detail when explaining why they made their specific decisions.</td>
<td>.97</td>
</tr>
<tr>
<td>- …Essor Insurance/my previous insurer gave clear details regarding the reasons for their decisions.</td>
<td>.94</td>
</tr>
<tr>
<td><strong>Rejection</strong> ($\alpha = .91; \text{AVE} = .78$)</td>
<td></td>
</tr>
<tr>
<td>- Please indicate your level of agreement with the following statements</td>
<td></td>
</tr>
<tr>
<td>- I felt rejected by Essor/my previous insurer</td>
<td>.85</td>
</tr>
<tr>
<td>- I felt that Essor Insurance/my previous insurer did not consider me a good customer</td>
<td>.92</td>
</tr>
<tr>
<td>- I felt like Essor Insurance/my previous insurer did not value our relationship</td>
<td>.90</td>
</tr>
<tr>
<td>- I felt excluded by Essor Insurance/my previous insurer</td>
<td>.87</td>
</tr>
<tr>
<td><strong>Emotional Attachment</strong> ($\alpha = .88; \text{AVE} = .77$)</td>
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<td>How accurately do the following words describe your feelings for your previous insurer?</td>
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<td>- Friendly</td>
<td>.95</td>
</tr>
<tr>
<td>- Connected</td>
<td>.92</td>
</tr>
</tbody>
</table>
• Attached  .75

**Betrayal** (α = .95; AVE = .88)
When I think about my previous insurer, I feel...
• …betrayed  .94
• …cheated  .96
• …lied to  .94
• …that my insurer let me down in a moment of need  .91

**Yearning** (α = .85; AVE = .68)
- After the relationship was over, I...
  • …had a desire to reconnect with my insurer  .75
  • …felt a longing to reestablish the relationship with my insurer  .88
  • …felt that the relationship with my previous insurer was valuable  .92
  • …felt confident that I would reestablish the relationship with my insurer  .74

**Revenge** (α = .93; AVE = .84)
- After the relationship was over, I...
  • …took actions to get revenge on the insurer or its employees  .96
  • …considered ways to get revenge on the insurer or its employees  .95
  • …thought about ways to sabotage the insurer or its employees  .86
  • ③…took actions to get even with my insurer  .89

**Reconciliation** (α = .77; AVE = .60)
- After this incident, I believe I would...
  • …try to make amends  .83
  • …attempt to give my insurer a new start, a renewed relationship  .84
  • …make an effort to be more friendly and concerned  .82

**Negative Word of Mouth** (α = .87; AVE = .79)
- After this incident...
  • …I spread NWOM about Essor/previous insurer  .83
  • …I criticized Essor/previous insurer to my friends  .91
  • …I told my friends not to buy from Essor/previous insurer  .93

**Anger** (α = .92; AVE = .86)
- As a result of the relationship ending, I felt...
  • …angry  .83
...outraged .91
...resentful .93

Severity of Decision (α = .96; AVE = .96)
The ending of my relationship with Essor/my previous insurer has caused…
• No Inconveniences – Major Inconveniences .98
• No problems – Major problems .98

Negative Affect (α = .89; AVE = .80)
-Mark the point on the scale that best describes you…
• ....I have a fiery temperament .80
• ....I am quick-tempered .94
• ....I am hot-headed .95

AVE=Average Variance Extracted
Appendix 3: PLS Results

- Adequacy of Explanation
  - Termination Strategy Directness
    - R² = .37
  - Rejection
    - R² = .72
    - Emotion Attachment
      - R² = -.21
    - Yearning
      - R² = .05
      - Reconciliation
        - R² = .37
    - NWOM
      - R² = .09
    - Revenge
      - R² = .03
    - Rejection
      - R² = .04
    - Controls
      - Severity of Decision
      - Anger
      - Negative Affect
      - Controls
        - R² = .90

- Betrayal
  - R² = .51
  - NWOM
    - R² = .19
  - Revenge
    - R² = .06
  - Reconciliation
    - R² = .25
  - Controls
    - Severity of Decision
    - Anger
    - Negative Affect
    - Controls
      - R² = .90