

1. Introduction

“Human life occurs only once, and the reason we cannot determine which of our decisions are good and which bad is that in a given situation we can make only one decision; we are not granted a second, third, or fourth life in which to compare various decisions.”

Milan Kundera (1984), The Unbearable Lightness of Being

1.1 Problem Area

Decisions we make in our lives often lead us down a path. Picking a place to live, a partner to live with, a major in high-school, a subject of study or an area for job training are good examples. These *watershed* decisions do not come easy and we are uncertain about quality and outcome of our options. With limited time, choices, and resources on our hands we make these complex decisions both under social influence and influenced by expectations based on our past experience. When we evaluate them afterwards, we at times regret the path chosen and consider other paths.

The process following such decisions leads us further down the path determined at the time of the decision. Evaluation occurs regarding the decision, comparing available choice alternatives and future prospects at the beginning of and during the process. When these evaluations are not in favor of the choice – we are dissatisfied with the process or the outcome – we do not quit easily, or at all. We often stick to a decision and remain loyal for various individual reasons. Conceivably because it is hard to evaluate other possible paths or return to the outset, we have good reasons to stay and, as the quote by Kundera (1984) suggests, we often can only make one such decision at a time. This may make it more and more difficult to exit a path.

In many cases such decisions entail a consumption process consentient with economic principles: The decision is made in a market from available choices and depends on financial resources, ability, individual and environmental influence. There is marketing activity in these markets in order to decrease the market's inherent uncertainty and attract appropriate consumers to make choices. The relationship term has entered the area of marketing research to better describe the process properties and the relational aspect of such decisions, including those for child care or schooling, education, healthcare and doctors, profession and place of residence. Loyalty to such a decision or *relationship* may have good reasons. In some cases however, dissatisfaction, lack of

commitment, and regret cause us to reconsider the path. Frequently, individuals end up remaining loyal to the path and try to reconcile their evaluation with their loyalty.

Consider the path following a decision in *higher education*. The educational path is entered with incomplete information about the choices and consequences, insecurity about future employment opportunities, influenced by an individual's preferences and background – a good example for uncertainty about the outcome of a decision that has characteristics of consumption. Sometimes, people get off their path and try something else, but in most cases, people maintain a particular consumption *course* once taken. At least some students at any given time consider dropping out because they perceive a lack of fit. The reasons to stick to a path despite such a perceived lack of fit can be various, sometimes unconscious and rarely only – or even primarily – be attributed to an objective evaluation in favor of the current path.

1.2 Motivation, Relevance, and Research Questions

The motivation to explore individual persistence and loyalty regarding important decisions in consumption and its process spans various research disciplines. Much of behavioral research is interested in explaining individual decision behavior in complex contexts and with counterintuitive loyalty outcomes. An explanation employed in research in order to describe maintenance of such a path contrary to individual evaluation is the **lock-in effect** – referring to persistence in a decision.

The interplay of satisfaction and loyalty, decision-making and regret, and process elements of service relationships, is relevant for such lock-in. Lock-in can occur for consumption goods that are purchased repeatedly despite the availability of superior alternatives. This work however focuses on more fundamental individually important decision paths, like the ones referred to in the introduction. It proposes that some individuals in important consumption decisions experience individual lock-in at a point of such a relationship process, where *individual path dependence* leads them to be loyal – i.e. persist in the choice – despite a lack of fit in cognitive perception of the decision or the process.

The term lock-in is used spuriously throughout the fields of *economics*, *marketing* and *consumer behavior*, describing different things on different economic layers. Tapering, inhibition of the latitude of decisions and intensity of commitment to a path are common themes. But how does lock-in work in such consumption processes and are there observable and potentially controllable mechanisms in place that lock individuals in? *Path dependence research* has come a long way in answering this question and the

answer appears to be yes. The extensive research in this area provides a concept of the lock-in process and the conditions it entails. At the onset, research took an aggregate view of the lock-in phenomenon, but the relevance of the individual level as the basic decision level is implicitly and explicitly evident. Mechanisms were identified for reinforcing path dependence both with individuals and on higher levels. Correspondingly, there have been calls for increased consideration of interdisciplinary research with regards to sub-optimal process outcomes and path dependence (Garland 2005).

The decision is a central aspect of individual path dependence. The consumption context, particularly its cognitive and psychological dimension, makes the phenomenon interesting for *consumer behavior research*. There the described outcome is also referred to as *consumer lock-in*. Even though a clear conceptualization in conjunction with path dependence is still lacking, individual decisions and persistence are well understood. This work can contribute to this body of research by pointing to the process dimension of complex decisions and uncertainty considerations. Such decisions are relevant and require a clearer model to identify the phenomenon in research as well as in practice.

This also points to the relevance of the described phenomenon in related fields. One example is the often cited, *inextricable*, and still incompletely conceived connection of the satisfaction and loyalty constructs (Oliver 1999) which is of central interest in the service and relationship marketing fields. Satisfaction is widely assumed to lead to loyalty. While increased satisfaction is a central goal for services marketing activity, many researchers have identified this link to be weak in the development of service relationships. Defection of consumers occurs even at high levels of satisfaction and other factors must be relevant in this realm, telling companies to *learn from customer defections* (Reichheld and Sasser 1990; Reichheld 1996). *Customer relationship development* is congruently one of the future directions stated for relationship marketing by Patterson and Ward (2000). This work views the described relationship from the opposite angle, considering dissatisfied consumers who nonetheless stay loyal. Such loyalty without a positive attitude towards a product or a provider has also been described as *locked in* by some researchers (Farrell and Klemperer 2007; Farrell 1987; Klemperer 1987; Shapiro and Varian 1999). There is however limited understanding of the individual cognition in the process, including the behavioral and attitudinal aspects of this phenomenon. The need for a clear model of what lock-in means in this context motivates this work. The managerial implication of this goal could be summarized as telling companies to also *learn from loyal customers*, in order

to increase quality of service and better fulfill customer expectations (Parasuraman, Zeithaml, and Berry 1985a). The following research questions guide this work:

- RQ 1: Why do individuals stick to a consumption process in a manner that can be described as locked-in?*
- RQ 2: What type of consumption decision is likely to facilitate consumer lock-in?*
- RQ 3: How does the consumer lock-in process work and what mechanisms work for the development of locked-in consumption behavior? Do these mechanisms justify calling the lock-in path dependent?*
- RQ 4: How does the modeled understanding of the phenomenon unfold empirically in a consumer relationship that fits the properties of an individual path dependent process?*

The first three questions aim at a theoretical reasoning for the described phenomenon, based in research. They are answered based on existing research, forming propositions. These propositions are summarized in the development of a process model for the consumer lock-in process in services, based on an understanding of individual lock-in in path dependence. The last question aims at an empirical assessment of the theoretical model. Hypotheses regarding the empirical context are derived from the model and then tested in an explorative panel study, employing qualitative and quantitative methods.

1.3 Structure of this Work

To answer the research questions, this work follows the structure presented in Figure 1. In Section 2 the **theoretical foundation** indicates phenomena and relevant aspects of individual behavior that contribute to an outcome that implies *inflexibility*, *rigidity* or *persistence*. This section brings the different strands of research in path dependence, consumer behavior and services and relationship marketing together in developing propositions on properties of the consumer lock-in process.

In Section 3 the relevant theoretical points are summarized in a **general model** of the individual lock-in process in the context of service relationships. The propositions developed in Section 2 are integrated with the process model and consumer lock-in mechanisms are described with regards to relevant switching costs. The primary contribution of this research is this model that reflects the relevant aspects of the development of individual path dependence in continuous service relationships. The model can be adapted to particular service relationship contexts. The section ends with

an introduction to research idiosyncratic to the field of empirical inquiry: higher education services, which inspires the adaptation of the general model. Hypotheses are derived to test for the manifestation of consumer lock-in.

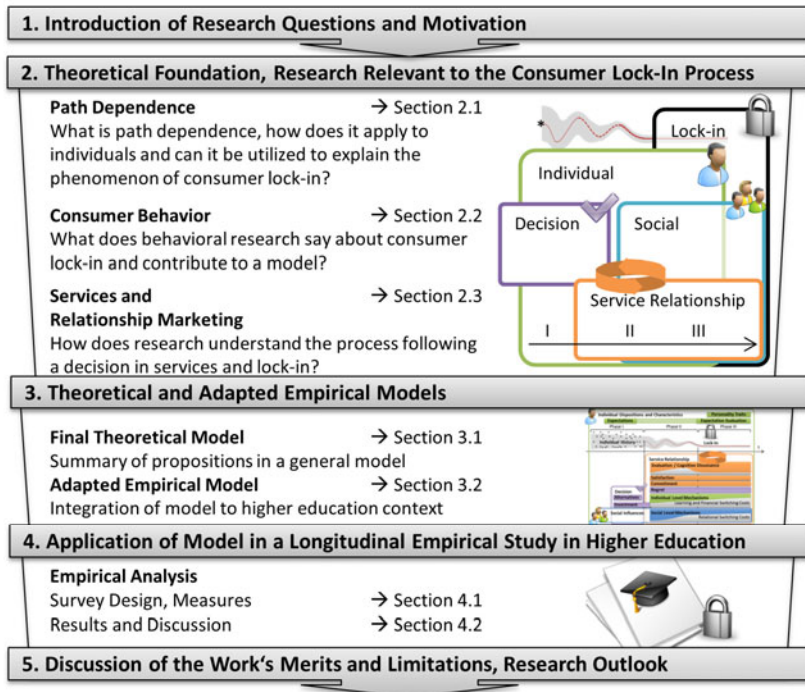


Figure 1: Structure of this Work and Logical Contents.

In Section 4 the methodology and design of the **explorative empirical study** are presented and the results analyzed. The study serves both to validate the general model as well as the underlying assumption that consumer lock-in is a phenomenon that can be identified for some students in terms of the decision context, mechanisms and a phase-based process.

Section 5 provides the **final discussion** of the merits and limitations this work provides to the different research disciplines presented in Section 2 and beyond. Since the developed model is adaptable to different contexts, as is shown in Section 4, other relevant research areas are considered in the outlook.

The overall goal is to get a grasp on an elusive phenomenon that has an individual psychological as well as a social, and a path process dimension – *consumer lock-in*.

This is achieved through review of research, deduction of model implications, and an empirical test of the model. The symbols are used throughout this work; they are detailed in Appendix A.

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