
Original Article

Relationship behavior between customers and service providers in demarketing situations: What makes customers try to improve their relationships?

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ABSTRACT In this study, we examine customer reactions to demarketing stimulation in an e-business environment. Specifically, we examine attempts to exit or improve a relationship with a service provider. A $2 \times 2 \times 2$ MANOVA, 2 (demarketing type: price, product) \times 2 (strength: strong, weak) \times 2 (self-regulatory focus: promotion, prevention) mixed design on psychological response, exit and relationship improvement with a service provider, as the dependent variables, was implemented with undergraduate student participants at a northeast university in the United States. Stimulations in each situation were manipulated based on Kotler and Levy's demarketing–marketing mix. Moderating psychological factors were incorporated in this investigation, selected from prior research studies in regulatory focus. With each stimulation, respondents were asked to answer questions about their relationship with an organization in terms of their intention to dissolve, maintain or improve their relationship. In addition, the moderating effects of self-regulatory focus (promotion and prevention) were examined to investigate the psychological response under the different stimulation. In this investigation, we show that there is a significant reaction to demarketing stimulation in the e-business marketplace; consumers exhibit a negative response against demarketing stimuli when price stimulations and strength stimulations are high. Customers with a promotion focus were more likely to seek a better relationship with

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their service provider. Implications from the theory and practical applications are discussed.

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INTRODUCTION

According to Kotler and Levy,¹ demarketing is an ‘attempt to discourage customers in general or a certain class of customers in particular, on either a temporary or permanent basis’. Past and current investigations have paid little attention to the for-profit business organizations and have examined the efforts made in government and not-for-profit organizations. Most of these investigations can be classified as ‘counter-marketing’ and not demarketing because the studies examined discouraging anti-social behaviors, such as smoking (Andrews, Netmeyer, Burton, Paul and Christianse;² Pechman, Zhao and Goldberg³) and drug use (Kelly, Swaim and Wayman⁴).

Many firms have attempted to enhance profits by eliminating non-profitable customers, utilizing demarketing strategies rather than increasing sales or revenue streams. These strategies can be considered the realization of ‘true relationship marketing’, where the effort is to reward and nurture customers (Suh, Ahn and Rho⁵). For profit-oriented organizations, demarketing methods are implemented to reduce relationship management costs. Management costs are reduced when non-profitable customers are identified and eliminated from future marketing campaigns. We posit that there is an alternative strategy to utilize demarketing methods, to convert low-profitable customers into high-profitable customers without increasing marketing expenses. To be successful, it is necessary to classify

customer personality and to understand the effectiveness of different demarketing stimuli. This additional knowledge is worthwhile for both marketing practitioners and scholars.

Gorden⁶ presented the concept of ‘relationship demarketing’ and claimed that the application of demarketing is useful for customer relationship management, as well as for strategic applications. In Suh et al’s prior research,⁵ they asserted that demarketing has potential as a strategic tool for the realization of ‘true’ relationship marketing. By stimulating less profitable customers, it is possible to transform them into more profitable customers. These results show that customers need to be involved and motivated for acquiring and utilizing the appropriate services. Previous research has been very limited regarding the effect of stimulation type and strength of a customer’s relationship behavior. For practical implications, research about demarketing needs to investigate different demarketing mix combinations specific to situations in which customers react to demarketing stimuli. Thus, we designed this research to incorporate more detailed effects of demarketing strategy. Furthermore, we included two psychological factors that have been discussed in the literature and which are suspected to produce different consumer responses to demarketing stimulation. By creating a more detailed investigation, we expect to uncover specific demarketing conditions that can be advantageous to profit-oriented businesses.

LITERATURE REVIEW

Demarketing

Definition of demarketing

Kotler and Levy¹ define demarketing as: '... an attempt to discourage customers in general or a certain class of customers in particular on either a temporary or permanent basis'. Demarketing is considered to be the reverse of marketing.

Demarketing became a popular concept and strategy in the early 1970s. The demarketing strategy was intended to decrease demand, possibly for a temporary period of time, for a particular market segment or to eliminate participation completely. Permanent elimination of a market segment would be appropriate for customers assessed as less profitable. They also described 'creative demarketing' as a solution for an oversupply situation. They emphasized that demarketing is not just an activity to eliminate demand but an activity to manage demands, which will lead to an increase in profitability. Although the demarketing philosophy originally developed from government and not-for-profit sector activities, the basic concepts of demarketing may have useful applications in the for-profit business sector. Businesses can potentially improve their profitability through changes in the customer relationship caused by demarketing. More specifically, demarketing should allow businesses to decrease relationship management costs and potentially turn non-profitable customers into profitable ones.

The authors contend that demarketing as a marketing management strategy could apply to a large variety of business, government and not-for-profit organizations.

In this research, we describe demarketing as beneficial to both organizations and customers through appropriate demand management strategies, not limited to the suppression of demand in a relationship marketing context. Kotler and Levy¹ identified three different types of demarketing as: general, selective and ostensible. Brief definitions of each are presented in Table 1. This study focuses on selective demarketing, a company's effort to discourage demand from specific customer classes.

Relevant demarketing research

Of special interest to marketing practitioners and marketing scholars is the effectiveness of demarketing.⁷ Demarketing activities, as defined by Kotler and Levy,¹ and demarketing campaigns, described by subsequent scholars, typically include: advertising, PR and sponsorship (Deutsch and Liebermann;⁸ Pechman *et al*.;³ Wall⁹). These types of promotional activities fall under the domain of traditional marketing activities; however, the spirit of the communication is to discourage rather than encourage consumers. Marketing scholars have studied demarketing primarily in the context of smoking (Andrews *et al*.;² Pechmann *et al*.³), drug use (Kelly *et al*.⁴) and energy conservation (Deutsch and Liebermann;⁸ Kasulis, Huttner and Deikeman¹⁰), restricting their studies to

Table 1: Types of demarketing

General demarketing	General demarketing occurs in situations, including temporary shortage, chronic over-popularity and product elimination. General demarketing is required when a company wants to shrink the level of total demand.
Selective demarketing	Selective demarketing occurs when a company wants to discourage the demand coming from certain customer classes.
Ostensible demarketing	Ostensible demarketing involves the appearance of trying to discourage demand as a device for actually increasing it.

Source: Kotler and Levy.¹

marketing campaigns specific to government and not-for-profit organizations (Gerstner, Hess and Chu¹¹).

Demarketing strategies discussed in the literature focus on 'general demarketing', as defined by Kotler and Levy.¹ There is very little research concentrating on selective demarketing; it is considered a strategic method to be used by for-profit business organizations. In this article, we investigate selective demarketing, assuming a for-profit business objective of transforming non-profitable customers into profitable customers and decreasing the cost of relationship management in the relationship marketing context.

To date, demarketing research has been primarily conceptual. This article remedies that situation by offering an empirical study on demarketing. Results from this study add some assurance to businesses interested in pursuing practical applications. In a recent study, Wagner, Thureau and Rudolph¹² studied the effect of customer demotion in loyalty programs. Demotion within hierarchical loyalty programs is similar to selective demarketing. Wagner *et al*¹² present negative stimulation (for example, customer demotion) and measured customer response. We evaluate the effectiveness of different demarketing types, assess which is more useful and effective and which type of customers (psychological attitudes) react more strongly under different demarketing strategies.

The contribution of this article is to extend the scope of demarketing research to include for-profit business organizations with an empirical investigation.

Relationship demarketing

The marketplace is not homogeneous with respect to customers' needs or values. In order to increase the value of the exchange, companies need to examine the marketplace for meaningful segments in terms of demand, product utilization, benefit expectations and so on. After creating

meaningful segments, business organizations need to develop custom marketing communications and marketing mix (4Ps) combinations to maximize their ability to interact, engage, transact and satisfy each segment. Many Customer Relationship Management (CRM) approaches focus on mass markets and on related CRM initiatives such as retention and churn management (Labus¹³). However, CRM processes allow companies to identify their worst customers, utilizing their contact history, RFM transactional data, (recency, frequency and monetary value of purchase), demographic data, behavior profiles, share of category expenditure and customer satisfaction measures. In companies where relationship marketing concepts are well developed and technology investments have made it possible to individualize customer treatment, the opportunity exists to discourage 'wrong' customers from doing future business. Gorden defined this concept as relationship demarketing.⁶ According to his study, relationship demarketing includes de-emphasizing target customers who have low profitability and low strategic value.

Empirical research on the effects of demarketing is greatly needed. Business organizations are attempting to increase their profitability by utilizing these tactics. It is important that they have some realistic assurance that the tactics will bear useful results. When relationship marketing has a dominant role in a marketing strategy, the application of demarketing tactics may be issued to enhance existing customer relationships.

4Ps in demarketing

In an effort to discourage or eliminate customers, firms can implement a variety of marketing strategies, for example reduce advertising and promotion expenditures or raise product prices. By appropriately altering marketing mix-4P conditions, a demarketing strategy can be realized.

**Table 2:** Demarketing 4P mix tactics

Product	Restrict availability of products Increase availability of alternatives Highlight product harm Decrease product attractiveness	Place	Decrease consumption space Decrease distribution space Impede purchase
Price	Increase fees Increase pricing	Promotion	Decrease advertising space Mandatory warning labels

Source: Kotler and Levy¹, Cullwick¹⁴, Shiu *et al*¹⁵

Table 2 presents demarketing 4P mix tactics as discussed by Kotler and Levy,¹ Cullwick,¹⁴ Shiu *et al*¹⁵ and others.

Relationship dissolution and retention behavior

Firms that implement a demarketing strategy may experience either an increase or decrease in customers. Demarketing efforts do not necessarily lead to dissolution of the relationship on the part of the customer. In some cases, customers will make an effort to retain their business relationship. An important purpose of demarketing is to increase an organization's profit. Under well-planned strategies, it is possible to reduce marketing costs through demarketing efforts and actually cause less profitable customers to increase their positive business activities with the firm. This study examines customer behavior (degree of intention) resulting from demarketing efforts in terms of relationship dissolution and relationship retention intentions.

Relationship dissolution (exit)

Relationship dissolution behavior reflects action taken by a customer to terminate the business relationship with the service provider. Rusbult *et al*¹⁶ described that typically this occurs when the customer has a problem with a service provider. Regarding this perspective, Sheth and Parvatiyer¹⁷ presented factors that cause relationship dissolution: repulsion, dissatisfaction, superior alternative and conflict with a service provider. A customer's relationship dissolution occurs

when service outcomes are perceived as negative or inferior.

Many efforts to classify customer response as satisfactory and dissatisfactory have been conducted by Day and Ash,¹⁸ Rensik and Harmon.¹⁹ Four types of customer responses – neglect, decrease of brand loyalty (or switching), voice to service providers or others, and negative word of mouth – were formulated in a research project that concentrated on the response of dissatisfied customers. Day,²⁰ Krapfel,²¹ Richins²² and Suh and Suh²³ also classified four types of relationship dissolution – loyal, voice, exit and neglect – in an effort to validate the correlation between the attitude of service providers and customers' relationship dissolution behavior in an Internet marketing context. In that study, the researchers empirically examined the relationship between service providers and customer dissolution behavior.

When service providers are able to satisfy customers with an effective recovery strategy, the possibility of loyal or voice behavior is higher than the other behaviors. Thus, we speculate that service recovery strategy might moderate the relationship dissolution behavior of customers when interacting with service providers.

A psychology study by Rusbult *et al*²⁴ proposed three types of relationship responses to job dissatisfaction: exit, voice and neglect for employees. In another study,¹⁶ four types of classification – voice, exit, loyal and neglect – were suggested based on two dimensions – activeness and construction – where an active and constructive displeasure behavior was

described as voice, exit was explained as an active and destructive one. A passive and constructive behavior was considered to be loyal, and neglect was defined as a passive and destructive behavior.

Our review of prior research leads to our agreement of relationship dissolution behavior as one of four behaviors: voice, loyal, neglect and exit. Voice is the customers' expressions of dissatisfaction to service providers or requests for help from others to improve their current situation both directly and indirectly. Passive waiting for solving problems regarding the relationship can be defined as loyal behavior. Factors that reduce customer interests or efforts in the relationship, causing the relationship to be worthless or unfavorable, are classified as neglect. Lastly, exit is the behavior including breaking off relations with current service providers. In this research, we describe relationship dissolution behavior with the definitions used above; 'loyal' is considered to be the factor that is included in relationship retention behavior, which is explained in the next section.

Relationship improvement

Relationship improvement intention in this research is the customers' willingness to develop and improve their relationship with a specific service provider. Unfortunately, there is no appropriate construct that adequately measures this concept in the relationship marketing field. Thus, we adopted the following attitudes for the purpose of our research: up-buying intention, cross-buying intention and price premium.

Up-buying intention is the willingness to accept higher priced or better versions of products and services that are recommended by service providers. Cross-buying intention refers to a willingness to purchase complimentary products suggested by the service provider. Crosby *et al*²⁵ also used these two concepts as indices to measure

outcomes of relationships between customers and service providers. These two conditions have been shown to be useful tools in research (Ngobo²⁶). These concepts have been used in practice and have been applied in CRM efforts to sustain customers (Harrison and Ansel,²⁷ Kamakura, Wedel, Rosa and Mazzon²⁸).

For a better understanding of relationship improvement behavior, Zeithmahl *et al*²⁹ measured an outcome of relationships with a price premium and customers' willingness to pay additional fees. Their result revealed that the more customers perceive higher relationship quality, the more customers are willing to pay, for example, an imposition of an additional cost. Thus, as customers are satisfied and want to maintain their relationship with the service firm, they will accept additional costs or required sacrifices.

In brief, up-buying intentions, cross-buying intentions and price premiums can be regarded as relationship improvement intention, which can explain customers' responses caused by demarketing stimulation.

Regulatory focus

According to regulatory focus theory (Higgins;³⁰ Higgins *et al*;³¹ Idson and Higgins³²), there are two functionally distinct motivational systems that guide goal pursuit, Nurturance (promotion) and Preventive. Nurturance concerns (for example, accomplishments, hopes and aspirations) are best met through a promotional focus, whereas preventive security concerns (for example, duties, responsibilities and obligations) are best met through a prevention focus. It is important to note that promotion and prevention foci are associated with different strategies for goal pursuit.

Promotion-focus strategies involve goal pursuit in a willful-oriented manner and involve achievement through immediate action rather than reflective deliberation. These strategies are pronounced among



persons who have an independent self-construal attitude, are guided by autonomous goal setting and are attuned to intrinsic needs.

In contrast, prevention-focus strategies involve goal pursuit in a vigilant or avoidance-oriented manner and involve careful assessment of the social context and action consequences. These strategies are prominent among persons who have an interdependent self-construal attitude, who are guided by situational goal setting and are susceptible to social pressure (Lee, Aaker and Gardner;³³ Meyer, Becker and Vandenberghe;³⁴ Vanjik and Kluger³⁵).

HYPOTHESIS DEVELOPMENT AND RESEARCH DESIGN

Hypothesis development

Demarketing strength and relationship behavior

Demarketing stimulation from service providers causes consumers to lose benefits originally received from earlier exchanges. According to prospect theory claimed by Kahneman and Tversky,³⁶ the loss of benefits could cause loss aversion. Although one might expect negative stimulation to cause a negative consumer response, under some circumstances a consumer's attitude toward the service provider might shift in a positive direction, depending on the type of stimulation they receive. Two specific types of demarketing stimulation (price and product) strongly affect customer response, not necessarily in the same manner or severity; the consumer reaction might differ depending on stimulation type and consumer's perception of severity and loss resulting from the stimulation.

In economic terms, price increases have a dampening effect on demand. Maxwell³⁷ reported that pricing has a direct effect on consumers' attitude. If consumers perceive prices to be unreasonably high, they are likely to form both a negative attitude

toward the product and a low intention to purchase.³⁸ In the leisure service field, Mclean *et al*³⁹ reported that price-related variables in demarketing generally received higher scores than other items used as effective demarketing methods. Inness⁴⁰ also suggested that price change is one of the best ways to change consumers' attitude and behavior. Specifically, price stimuli may have a more negative effect on customers' attitude and behavior intentions than other techniques. We assume and test the effectiveness of demarketing price stimulation in terms of producing a negative effect on consumer response. We also address the effects of stimulation strength to develop a better understanding of customer response. The assumption that the effect of price stimulation may be more negative than product stimulation can be investigated under different stimuli strengths. Customers may show higher exit intention under stronger price stimuli. On the other hand, customer exit and improvement intention may be different when subjected to different strengths of product stimulation, lower exit intention might be associated with lower product stimulation and higher exit might be associated with higher product stimulation. We propose the following hypotheses:

Hypothesis 1: Price stimuli yield higher exit intention than product stimuli.

Hypothesis 2: Price stimuli yield lower improvement intention than product stimuli.

Hypothesis 3: A strong stimulation to increase customer intention to exit is more effective with product than price.

Hypothesis 4: A weak stimulation to enhance customer intention to improve their relationship is more effective with product than price.

Regulatory focus and relationship behavior

Demarketing stimulation in this research refers to product and price stimulation (where product stimulation is actualized by reduced benefit from product or associated service and price stimulation means an increased usage fee). We assume that the application of the demarketing stimuli restricts a consumer's freedom of choice or usage. Clee and Wicklund⁴¹ dealt with psychological reactance in consumer behavior from various perspectives. A consumer's psychological reactance against an objective is mainly determined by threats to their freedom. When customers feel their freedom is threatened, they might try to improve their current situation. Product stimulation makes consumers perceive product unavailability or discontinuation, and price stimulation also restricts freedom to choose through additional fees or increases in price. Both types of stimuli can arouse consumers' psychological reactance.

Self-regulatory focus (SRF) theory claimed by Higgins^{30, 42} investigates promotion and prevention tendency. Promotion-focused consumers tend to take risks. Prevention-focused customers are more likely to be sensitive toward negative results and show higher loss-avoidance behavior. Consequently, we theorize that customers who have promotion-focused tendencies experience higher levels of psychological reactance than prevention-focused customers. However, arousal of reactance varies by level of perceived freedom restriction, defined by type and strength of stimulation. Strong price stimulation is considered the most severe restriction of freedom by consumers.

Reactance arousal may not occur if consumers judge that they cannot control limitations and that there is not enough value to sacrifice their psychological and/or financial resources. Feeling reactance against demarketing stimuli appears when consumers receive reasonable levels of

stimulation. Thus, the effect is also stronger in weaker stimulations, especially in product stimuli. On the basis of these assumptions, we posit the following hypotheses:

Hypothesis 5: Customers who are promotion focused will experience a stronger, positive effect on exit intention, when exposed to product stimulation versus price stimulation.

Hypothesis 6: Customers who are promotion focused will experience a stronger positive effect on relationship improvement intention when exposed to product stimulation versus price stimulation.

Research method and experiment design

Experiment design and manipulation check

The purpose of this study is to examine the effects of type and strength of demarketing stimulation on customers' relationship behavior, including exit intention and relationship improvement intention. Following the theoretical concept stated in Shiu *et al's* research,¹⁵ we created a scenario-based experiment to compare customer reactions with each demarketing stimulation.

We designed a 2×2×2 mixed factorial MANOVA experiment, (2-demarketing stimulation types, product and price)×(2 levels of demarketing strength, strong and weak)×(2 categories of self-regulatory focus, promotion and prevention). There are two psychological responses as dependent variables, exit and relationship improvement. We manipulated demarketing strength by having two modes of restriction for each stimulation. These manipulations were based on Shiu *et al's*¹⁵ prior research; a question was asked about how customers perceive the stimulation (for example,



I think the maintenance fee presented by the service provider is high; a 9-point scale was used, 'strongly agree (9)–strongly disagree' scale(1).

For each stimulation, we randomized the order of the treatments. To remove noise or bias of familiar Website brands, we used a fictitious Web service for each scenario in the experiment.

Experimental procedure and measures

(1) Sample

We conducted the experiment with university students at a northeast university in the United States. Participants were undergraduate business school students. The experiment was assigned as part of the course requirement. Participants were randomly assigned into one of four groups: each group contained approximately 40 people. Thirteen participants changed their mind while completing the survey and exited. The final sample consisted of 147 participants: 48.3 per cent were male and 87.1 per cent were between ages 20 and 25 years.

(2) Procedure

Experiment participants were given a questionnaire. Each questionnaire included each demarketing scenario necessary for testing the specific hypotheses. The participants were asked to answer questions that served as manipulation checks.

We conducted two independent *t*-tests in each type of stimulation to evaluate manipulation realism. The result of the manipulation check shows that all participants perceived the strength stimuli as either being strong or weak. More details are presented in Table 3.

Reliability tests show that all measures (four items for exit and two items for improvement) have high internal consistency ($\alpha=0.801$ for exit; $\alpha=0.873$ for improvement). As a manipulation check, we asked participants to answer questions

Table 3: Result of manipulation check

<i>Perception of Stimulation Strength</i>	<i>Means</i>	<i>t-value</i>	<i>P-value</i>
<i>Price</i>			
High (<i>n</i> =35)	7.25	5.26	0.00
Low (<i>n</i> =37)	5.10		
<i>Product</i>			
High (<i>n</i> =39)	6.71	5.24	0.00
Low (<i>n</i> =36)	4.58		

about perception of strength and about demarketing stimulation for both price mode and product mode with a 9-point Likert scale (strongly agree–strongly disagree) (for example, how high they perceive the maintenance fee to be, or how high they perceive the differentiation of service to be).

The survey contained psychological questions relevant to self-regulatory focus. Participants were asked to express their intention to exit their business relationship or to improve their business relationship with a service provider, given each demarketing stimulation. The survey lasted approximately half an hour. On the basis of the SRF responses, participants were allocated to each of two cells representing promotion and prevention as designed by Louro, Pieters and Zeelenberg,⁴³ utilizing a median split (median = 4.68) (within subject). Finally, we had eight cells for the experiment (2 self regulatory×2 type of demarketing×2 strength of demarketing) and two-response variables (exit, relationship improvement). The numbers of participants, as well as means and standard deviations in each of the eight combinations, are presented in Table 4.

We adopted measures for exit intention and relationship improvement intention, as described by Ping,⁴⁴ and Homburg *et al.*⁴⁵ Each construct had four items on a 7-point 'strongly agree–strongly disagree' scale. We used four items to measure exit intention and four items to measure relationship improvement intention. (See appendix).

Table 4: Descriptive statistics

Type	Price (<i>n</i> =72)				Product (<i>n</i> =75)			
Exit	5.13 (1.20)				4.61 (1.41)			
Improvement	3.31 (0.96)				3.60 (1.23)			
Strength	Strong (<i>n</i> =35)				Strong (<i>n</i> =39)			
	5.13 (1.08)				5.00 (1.24)			
Exit	3.28 (0.75)				3.41 (1.45)			
SRF	Weak (<i>n</i> =37)				Weak (<i>n</i> =36)			
	5.14 (1.32)				4.19 (1.47)			
Exit	3.33 (1.13)				3.81 (0.91)			
Improvement	Promotion				Promotion			
	(n=20) (SD)				(n=18) (SD)			
SRF	4.47 (1.27)				4.08 (1.79)			
	3.52 (1.04)				4.11 (0.47)			
Exit	Prevention				Prevention			
	(n=19) (SD)				(n=22) (SD)			
Improvement	5.43 (0.75)				5.75 (0.79)			
	3.12 (0.56)				2.38 (0.91)			
SRF	Promotion				Promotion			
	(n=16) (SD)				(n=17) (SD)			
Exit	4.89 (1.27)				4.02 (1.03)			
	3.42 (0.87)				4.73 (0.79)			
Improvement	Prevention				Prevention			
	(n=17) (SD)				(n=18) (SD)			
SRF	5.91 (0.90)				4.30 (1.11)			
	3.11 (1.23)				3.52 (1.14)			

For the measurement of self-regulatory focus, we adopted 11 scales used in Louro *et al*'s⁴³ previous research.

RESEARCH RESULTS

The test effects for each hypothesis are contained in Table 5. Because we had multiple dependent variables, we performed a MANOVA, a multivariate ANOVA to test the hypotheses. In Hypothesis 1, we assumed that 'price stimuli yield higher exit intention than product stimuli'. The results show that demarketing type influenced the intention to exit ($F(1, 139) = 10.956$, $P < 0.001$; that is, price was stronger than product stimulation, $M[\text{price}] = 5.13$, $SD = 1.20$; $M[\text{product}] = 4.61$, $SD = 1.41$). We also find support for Hypothesis 2, 'price stimuli yield lower improvement intention than product stimuli', because there was significant difference between two groups ($F(1, 139) = 6.685$, $P < 0.05$; $M[\text{price}] = 3.31$, $SD = 0.96$; $M[\text{product}] = 3.60$, $SD = 1.20$). Participants who received price stimuli showed higher intention to exit and lower desire for relationship improvement. Thus, Hypothesis 1 and Hypothesis 2 are supported.

For Hypothesis 3, 'a strong stimulation to increase customer intention to exit is more effective with product than price', the two-way interaction effect of Strength×Type on intention to exit is significant ($F(1, 139) = 3.516$, $P < 0.1$; $M[\text{price/strong}] = 5.13$, $SD = 1.08$; $M[\text{price/weak}] = 5.14$, $SD = 1.32$; $M[\text{product/strong}] = 5.00$, $SD = 1.24$; $M[\text{product/weak}] = 4.19$, $SD = 1.47$). However, in case of Hypothesis 4, 'a strong stimulation to enhance customer intention to improve their relationship is more effective with price than product' was not supported because the two-way interaction effect on improvement is not significant ($F(1, 139) = 0.479$, $P = 0.49$; $M[\text{price/strong}] = 3.28$, $SD = 0.75$; $M[\text{price/weak}] = 3.33$, $SD = 1.13$; $M[\text{product/strong}] = 3.41$, $SD = 1.45$; $M[\text{product/weak}] = 3.81$, $SD = 0.91$).

**Table 5:** Tests of test effects

Source	Dependent variable	Type III sum of squares	DF	Mean square	F	P	Hypothesis
Corrected model	Exit	72.657a	7	10.380	7.679	0.000	
	Improvement	64.622b	7	9.232	10.975	0.000	
Intercept	Exit	3441.998	1	3441.998	2546.414	0.000	
	Improvement	1778.014	1	1778.014	2113.743	0.000	
TYPE	Exit	14.809	1	14.809	10.956	0.001	Hypotheses 1 (Supported)
	Improvement	5.624	1	5.624	6.685	0.011	Hypotheses 2 (Supported)
TYPE*STRENGTH	Exit	4.753	1	4.753	3.516	0.063	Hypotheses 3 (Supported)
	Improvement	0.403	1	0.403	0.479	0.490	Hypotheses 4 (Not supported)
TYPE*STRENGTH*SRF	Exit	13.993	3	4.664	3.451	0.018	Hypotheses 5 (Supported)
	Improvement	26.389	3	8.796	10.457	0.000	Hypotheses 6 (Supported)
Error	Exit	187.887	139	1.352			
	Improvement	116.922	139	0.841			
Total	Exit	3748.000	147				
	Improvement	1944.000	147				
Corrected Total	Exit	260.544	146				
	Improvement	181.544	146				

$R^2=0.279$ (adjusted $R^2=0.243$)
Corrected model

weak] = 3.81, $SD=0.91$). Similarly, with the result of Hypothesis 2, there is higher intention for improvement when customers receive product stimulation. Customers show consistently high intention to exit, regardless of the stimuli when the stimulation is strong; when the stimulation level is low, desire to exit is weak, when customers receive product stimuli. We were not able to measure a significant difference in relationship improvement intention with the stimuli; however, the direction of the result is consistent with the hypothesis (see Figure 1). Additional analysis is recommended.

For Hypothesis 5, 'customers who are promotion focused will experience a stronger, positive effect on exit intention, when exposed to product stimulation versus price stimulation', the three-way interaction effect of type×strength×SRF is significant for exit intention ($F(3, 139) = 3.451$,

$P < 0.05$; $M[\text{price/strong/promotion}] = 4.89$, $SD = 1.27$; $M[\text{price/strong/prevention}] = 5.43$, $SD = 0.75$; $M[\text{price/weak/promotion}] = 4.47$, $SD = 1.27$; $M[\text{price/weak/prevention}] = 5.91$, $SD = 0.90$; $M[\text{product/strong/promotion}] = 4.02$, $SD = 1.03$; $M[\text{product/strong/prevention}] = 5.75$, $SD = 0.79$; $M[\text{product/weak/promotion}] = 4.08$, $SD = 1.79$; $M[\text{product/weak/prevention}] = 4.30$, $SD = 1.11$). This supports Hypothesis 5. The result presented reveals that promotion-focused customers are consistently low in their intention to exit under product stimulation, regardless of the strength of stimuli, but there is a significant difference with the strength of stimuli under price stimulation. In the case of prevention-focused customers, they were consistent in their intention to exit under price stimulation, regardless of the strength of stimulation. On the other hand,

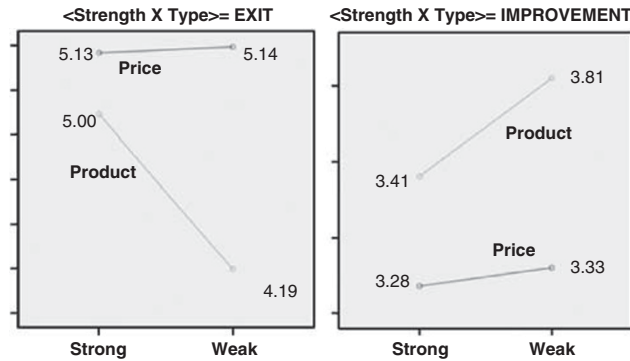


Figure 1: Two-way interaction effect (Strength×Type).

under product stimulation, strength of the stimuli caused significant differences in intentions.

Finally, Hypothesis 6, ‘customers who are promotion focused will experience a stronger positive effect on relationship improvement intention when exposed to product stimulation verse price stimulation’, is also supported by the significant three-way interaction effect on improvement intention ($F(3, 139) = 10.457, P < 0.01$; $M[\text{price/strong/promotion}] = 3.42, SD = 0.87$; $M[\text{price/strong/prevention}] = 3.12, SD = 0.56$; $M[\text{price/weak/promotion}] = 3.52, SD = 1.04$; $M[\text{price/weak/prevention}] = 3.11, SD = 1.23$; $M[\text{product/strong/promotion}] = 4.73, SD = 0.79$; $M[\text{product/strong/prevention}] = 2.38, SD = 0.91$; $M[\text{product/weak/promotion}] = 4.11, SD = 0.47$; $M[\text{product/weak/prevention}] = 3.52, SD = 1.14$). The direction of the results concerning relationship improvement is similar to exit. We provide Figures 2 and 3 for a better understanding of the three-way interactions.

We can assume that promotion-focused customers have relatively low intention to exit and they will try to improve their relationship or current situation with certain levels of psychological reactance. Further investigation regarding psychological reactance is needed for a better understanding and application of demarketing strategies.

DISCUSSION AND IMPLICATIONS

Summary

The purpose of this study is to understand customers’ responses against demarketing stimulation in the customer–e-service provider relationship. It is interesting to note that even though customers receive demarketing stimulation, they do not necessarily elect to exit.

The desirable results of demarketing efforts for organizations is the ability to change customers’ perceptions and intentions, to eventually transform them into more valuable customers. In order for firms to take advantage of this theory, they need to know how customers react to demarketing efforts. In this article, we examined how demarketing type and strength affect relationship behavior (response: exit and relationship improvement intention) after stimulations and we examine how customers’ SRF is actualized in a demarketing situation through the perception of psychological reactance.

According to our results, the effect of demarketing in the e-business field shows that negative response against demarketing stimuli is higher in price stimulations and in high-strength situations. Furthermore, customers who have a promotion focus show a reactance behavior in which they assume a relatively low exit intention and a high relationship improvement intention

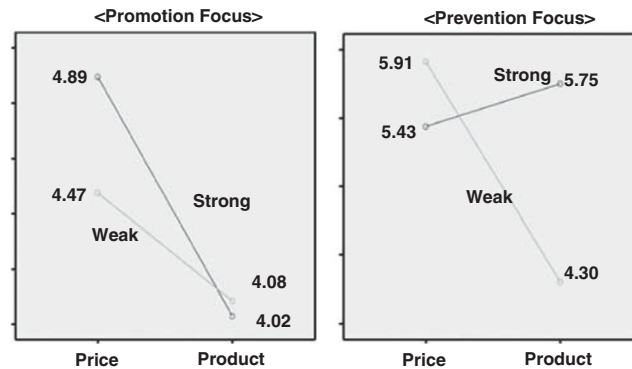


Figure 2: Three-way interaction effect (Strength×Type×SRF) for exit.

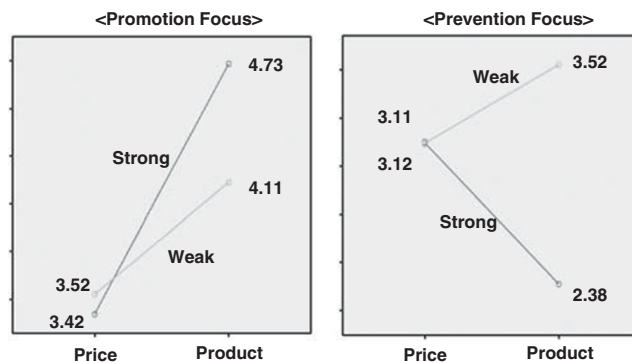


Figure 3: Three-way interaction effect (Strength×Type×SRF) for improvement.

with the service provider, especially when subjected to product stimuli.

An organization that wants to utilize demarketing stimulation as a strategic tool has to present enough explanation for internal attribution and stimulate consumers relative to their perceived psychological reactance. The research indicates that proper product demarketing stimulation for promotion-focused customers is a more effective way to create profitable customers.

Implications

The main contribution of this research is to demonstrate the potential value of a demarketing strategy in a for-profit business setting. Research examining customer response in different demarketing situations is scarce. This research adds empirical support to the value of demarketing.

In terms of practical application, the research has shown that customer response in a demarketing situation can be differentiated based on the strength of stimulation that is presented by the service provider.

Furthermore, some customers who possess a promotion-focus attitude felt psychological reactance against demarketing and moved positively, that is, they attempted to strengthen their business relationship rather than exit. Marketers can take advantage of these phenomena to improve profits.

Expansion of demarketing research from non-profit sectors to the business sector, especially within the context of relationship marketing, is extremely beneficial. Specifically, demarketing can provide an additional strategy in current CRM promotions. In addition, because prior studies about demarketing were conceptual,

this study, which utilizes empirical data, can be used as a practical reference.

Ajuha and Medury⁴⁶ stated that many companies have applied CRM strategies based on the relationship marketing concept, where the primary objective of the organization is customer acquisition followed by customer retention. The strategy is to segment customers into meaningful groupings and then offer uniquely designed services to each group, frequently ignoring poorly responding customers. Utilizing a demarketing approach, it may be possible to communicate to unprofitable customers and transform them into profitable customers. Understanding the various types of customer responses to demarketing, stimulation can enhance the customer management effort.

We suggest that more attention be given to demarketing as a strategy to increase profit and customer relationships.

Limitations and further research

This research was limited by the participant sample, college students. It would be desirable to select a sample of participants that represent general consumers and even more useful to investigate consumers who have actually received demarketing stimulations from service providers. Although we asked participants to imagine themselves in a real situation, it may not be sufficient to guarantee external validity. Second, we could not verify the psychological process before and after demarketing stimulation. Causality among psychological factors needs to be confirmed. Third, other factors that could affect customers' response, the reputation of service providers, switching costs and current relationship development level, were not considered in this research. Last, demarketing is a continuous activity, and, with time, a customer's attitude or response can change from positive to negative and *vice versa*. Longitudinal

research would be required to investigate this phenomenon.

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APPENDIX

Demarketing Instrument

Scenario

Please try to imagine your feelings and attitudes as vividly as you can, considering what it would be like to be in the following situation. You may need to read the following scenario a couple of times before you become completely familiar with the details of the situation. Then complete the attached questions, indicating how you would react if you were in this situation.

You are using an Internet portal service (for example, yahoo, msn, facebook and so on). This service is *famous*, and provides you with various services including e-mailing, private blog, storage space and community service. These are *quite important services* as *you use them on a regular basis*. Aside from an ID for this site, you have a few accounts for other portals, and your use frequency is similar.

Recently, for some reason, you paid less attention to the Website you use compared to the past, and then, you received the following e-mail from the service provider:

Stimulation

Dear customer, thank you for using our service!

According to the result of customer grade analysis conducted last year, you ranked in ‘C’ class based on your use history. As a result, a differentiated service will be presented.

Differentiated service contents

Rank	Before			Current		
	Storage space	E-mail sending	Private blog and community	Storage space	E-mail sending	Private blog and community
<i>Product-strong</i>						
A	5Gb	Unlimited	Unlimited	10Gb	Present premium	Present premium
B				5Gb	Available except few services for A	Available except few services for A
C				3Gb	Available but few limitations	Available except few services for B
<i>Product-weak</i>						
A	5Gb	Unlimited	Unlimited	10Gb	Unlimited	Unlimited
B				5Gb	Available except few services for A	Available except few services for A
C				1Gb	Partially available	Not available

Account maintenance fee (per year)

Rank	Current fee	Revised fee
<i>Price-strong</i>		
A	0	0
B	0	0
C	0	US\$20
<i>Price-weak</i>		
A	0	0
B	0	0
C	0	US\$10

You are currently in class C.

We hope you patronize our site this year.

If you have any questions about our service, please contact us at ‘1-000-000-0000’ or administrator@xyz.net without hesitation.

Manipulation check

Please answer a question below.

Product: I think the degree of differentiation presented by the service provider is high.



Price: I think the maintenance fee presented by the service provider is high.

When it comes to achieving things that are important to me, I find that I don't

Strongly Disagree ①—②—③—④—⑤—⑥—⑦—⑧—⑨ Strongly Agree

Strongly Disagree

Strongly Agree

Questions

SRF (Harlow et al 1997)

Growing up, would you ever 'cross the line' by doing things that your parents would not tolerate?

Did you get on your parents' nerves often when you were growing up?

How often did you obey rules and regulations that were established by your parents?

Growing up, did you ever act in ways that your parents through were objectionable? Not being careful enough has gotten me into trouble at times.

Compared to most people, are you typically unable to get what you want out of life?

How often have you accomplished things that you got 'psyched' to work even harder?

Do you often do well at different things that you try?

perform as well, as I ideally would like to do.

I feel like I have made progress toward being successful in my life.

I have found very few hobbies or activities in my life that capture my interest or motivate me to put effort into them.

Exit intention (Rusbult et al 1988)

I would think about quitting this service provider.

I would give notice that I intended to quit.

I would accept alternatives this service provider offer.

I would quit my current service provider.

Improvement intention (pay more) (Zeithmahl et al 1996)

I would continue to do business with this service provider if its price increased somewhat.

I would pay a higher price than competitors charge for the benefits I currently receive from this service provider.