UNIVERSITY OF GOTHENBURG
SCHOOL OF BUSINESS, ECONOMICS AND LAW

# Strategizing for retention.

An exploratory cross-sectional case study of switching barriers within service-based KIE firms' retention strategies in B2B.

**Author:** Jonathan ZepedaVillela.
**Contact mail:** guszepjo@student.gu.se
**Supervised by**: Ethan Gifford, PhD.
Graduate School.
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# Foreword

Switching barriers are nothing evil, to the trained eye, they can be observed in all the products and services we consume, whether they are predatory or well-intentioned, that, will depend on the executing firm. However, this unexplored phenomenon by academia holds the potential for a better world as they possess the ability to withhold and effectively extract the value that can be created from Business-to-Business relationships, Value can be captured or transferred, whether within the parties or the stakeholders, when we contemplate that now society and the environment are perhaps the most important stakeholders to today's and future business landscape, then an entrant firm with societal and environmental values that can retain a polluting incumbent for longer, is a firm that can cast greater value for the earlier and the later over time, it all comes down to the heart of the entrepreneur.

# Abstract

This thesis investigates the strategic mechanisms employed by service-based Knowledge-Intensive Entrepreneurship (KIE) firms to retain and prolong client relationships. KIE firms, known for high innovation and complexity, face significant client retention challenges due to limited resources and intense competition. The study focuses on identifying the types of switching barriers these firms use to deter client defection and enhance retention.

KIE firms play a vital role in addressing societal and environmental challenges through innovation. However, their early stages often encounter difficulties, such as limited resources and fierce competition. The survival and sustainability of these firms heavily rely on their ability to retain clients. Effective client retention strategies are essential for these firms to navigate the competitive landscape and ensure business continuity.

An exploratory cross-sectional case study approach was employed, examining the retention strategies of two KIE firms, referred to as "ALPHA" and "BETA." The research aimed to identify the switching barriers used by these firms and how these barriers evolve across different stages of the service relationship lifecycle. Data was collected through semi-structured interviews, company documents, and relevant literature, providing a comprehensive view of the strategic tools and mechanisms in use.

The analysis reveals that both firms utilize a combination of switching barriers, including relational, contractual, financial, and technological elements, to enhance client retention. These barriers help create an environment where clients are less likely to switch providers, ensuring long-term relationships.

Future research should evaluate the client’s perspective on switching barriers to measure the efficacy of retention strategies. Contrasting the client’s perception of barriers with the selling firm’s intended barriers is crucial. Additionally, quantitative studies can examine how the cumulative effect of switching barriers influences clients' willingness to defect. Exploring the strategic management behaviors of KIE firms, particularly those addressing grand societal challenges, can provide further insights into their efforts to sustain operations and maximize impact in their early stages.

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# 1. Introduction

## 1.1 Background

Knowledge-Intensive Entrepreneurship (KIE) is a phenomenon that has gained the attention of neo-schumpeterian academics during this last decade, Prof. Maureen McKelvey and the Research Unit For Innovation and Entrepreneurship at the University of Gothenburg, in Sweden being among its biggest precursors in research. And rightfully so, given the increased number of complex and innovative firms spanning from it as an entrepreneurial process, which can be said to be driven by the never-ending cycle of state-of-the-art innovation, a product of the rapid growth of innovation and the maturity of the ecosystems that enable their inception. Innovative and complex as they are, ventures emerging from this process are still hunted by the adversities inherent of the infant stages of venturing. Forefathers of the arts of management and strategy such as *Stinchcombe (1965)* and *Porter (1980)*, posit some of the most well-known issues any emerging firm faces until today, among them, life-threatening factors like the liability of newness, as well as competition and even substitution of which KIEs firms are not exempt from, are still hurdles these firms need to overcome.

Needless to say, these make the path difficult for an emergent firm to form and strengthen new commercial relationships due to a combination of factors such as the novelty of their offerings, and lack of reputation in the spaces they operate in, which is often accompanied by strong limitations of available resources, both in human capital as this specific type of firms majorly manifest small in size *(McKelvey & Lassen ,2013)*, and on top of this, limited financial assets is a common issue that also hinders these firms' abilities to scale, which in terms also limits their capacity to adopt new business.

All this becomes important when the upward trend of emerging firms adopting a service-oriented business model is accounted for *(Nezami Et al., 2018)* and their immense potential for gaining traction toward the United Nations Sustainable Development Goals as their high innovative capacity holds the potential to solve wicked grand-societal problems *(Gifford & McKelvey, 2019),* more so in a business-to-business (B2B) context. *Grönroos and Ravald (2011)* propose the proliferation of this service business logic could be due to its potential to enable firms to leverage new ways of value creation, and co-creation, as well as more continuous capture of it. This enticing and interaction-centric approach, however, proves additionally challenging for KIE firms, as they generally are already constricted in their resource capacities hindering productivity growth, which combined with this more resource-intensive market approach and external threats, can make these firms hardly be able to afford the loss of their clients.

Furthermore, with all this considered, for these firms, preserving their clients against all these threats could increase their possibilities of survival, therefore, understanding the strategic tools

and mechanisms that could help these firms retain their clients could be crucial. Therefore, this research will delve into the factors that can play a role in supporting these firms to prolong their established commercial relationships with their clients from a strategic perspective by looking into how other firms have done it in the dynamic field of service-oriented knowledge-intensive entrepreneurship, where client relationships are pivotal in these service-oriented business models, and provide insights on from a managerial perspective on how these firms can approach the successful retention and prolonging of these relationships.

## 1.2 Problem discussion

As the literature around KIE and the resulting firms grows, many aspects of the challenges these firms could face have been researched, in their works, Professor *McKelvey and Heidemann Lassen (2013)* expose the importance for emerging firms as a result of Knowledge-Intensive Entrepreneurship of adopting strategic management practices for building and fostering relationships with customers and clients as main stakeholders, this as means to ensure operational sustainability and business continuity given their strong propensity for rapid contraction despite the novelty and uniqueness of their services. *Alvesson (2004)* however, showcases how firms of this kind have an increasingly higher level of complexity and resource intensiveness in their sales process which exacerbates the difficulties these firms have in establishing new commercial relationships. In his work, the author proposes that businesses with a high degree of knowledge intensity with service orientation, are more resource-exhaustive in the sales process given the required involvement of the most knowledgeable members of their organization in the attempts to build new commercial relationships, which for small sized firms (most common size manifestations in KIE), translates directly into an increased cost of sales.

Furthermore, competition and substitution are market forces that stand consistently as a threat to these firms until today (Porter, 1980). A recent industry analysis by KPMG in 2019 suggests that approximately 80% of consumers in a B2B dynamic across many sectors, had the willingness to switch providers if presented with more beneficial offers, which acts as continuous evidence that customers in an increasingly global marketplace constantly assess their options regarding the best possible service delivered to them by service providers *(Hidayat & Idrus, 2023),* and further demonstrates the hardships KIE firms can face when trying to sustain their existing relationships, thus, acting as statement and reminder of the consistent forces that put pressure on these organizations to withhold their foothold. In light of this, there is perhaps no novelty in the fact that it is in these firm's best interest (early-stage service-based KIE firms that is) to sustain and prolong the value of their already-built relationships *(Putra Et al., 2023)*.

In the McKinsey publication "Choosing to Grow: The Leader's Blueprint," the authors underscore the importance of cultivating existing customer relationships as a central strategy for

business sustainability and growth *(Birshan Et al., 2022)*. In this publication, the emphasis is placed on optimizing core operations and intensifying focus on existing business relationships, which is reflected in the significant portion of revenue growth typically derived from these areas. In this work, the authors introduce the concept of "client value management" as a means of preserving both revenue and value of existing business relationships, where investments in the development of stronger and more deep-rooted relationships as means to retain and increase their lifetime value are made. This approach implies that deepening existing customer relationships can be more efficient and more profitable than strategies primarily focused on acquiring new clients, more so, in firms whose sales process is so relatively expensive as it could be in the case of KIEs *(Alvesson, 2004)*.

Among the best tools in the managerial toolbox these can resource to fight against these external forces and prevent their clients from leaving to a competitor, the adoption of an effective client retention strategy, that is, the combination of activities a service provider undertakes and the ability of the same to reduce or prevent consumer defections, can prove to be one effective way to increase the longevity of their business relationships *(Kotler, 2012)*. Influential works by scholars such as *Egan (2008), Grönroos (2000),* and *Shapiro (1989)* highlight the importance of managing commercial relationships to foster customer retention as a means of increasing a firm's likelihood of survival and revenue predictability. Moreover, the ability of a firm to effectively build retention is heavily influenced by its capability to strategically establish multiple factors which combined contribute to the prevention of complete customer defection. However, while many scholars have focused primarily on elements such as satisfaction and service quality, the reality is that these are now simply "business standards" and therefore are necessary yet not sufficient for a firm's ability to sustain and prolong the value of their established relationships. *Putra Et al. (2023)* posit that successful customer retention as a strategic tool starts with the first contact an organization has with a customer and it develops throughout the entire lifetime of the established relationship. Customer retention is thus the maintenance of continuous trading relationships with customers or clients over the longer term, and it is important because it can bring benefits to the firm such as increase in a constant profit stream, reduction of marketing costs, reduction of operation costs and create a repurchase behavior as well as predictable revenue streams*(Byun & Jang, 2019; Chen & Chen, 2010; Chua Et al., 2017; Kim Et al., 2014; Reichheld & Teal, 1996 and Oguntuase Et al., 2023)*.

*Coughlan and Midgley (1989)* however, introduced the concept of switching barriers as one of the strong factors of retention for businesses, due to their ability to make it challenging for customers to switch from one product or service to another. Since further scholars such as *Teece (1998)* speak in favor of the concept of switching barriers as a method to enhance retention as a mechanism of survival, highlighting the value of switching barriers as a means of promoting a client's unwillingness or inability to exit the business relationship. Further, other authors like *Shahzad Et al. (2015)* have identified a strong correlation between the presence of switching

barriers and increased customer retention, suggesting that these barriers could play an instrumental role when firms seek to retain value-laden relationships at the face of these threats.

Consequently, in certain cases, switching barriers can be an effective mechanism for firms to prolong the lifetime of value-rich relationships between them and their buyers. And, if we take a step back, and look at the context of KIE firms in B2B services, where the potential for value creation beyond not just the mutual, but also environmental, societal, and more, is simply greater, thus the reason for these types of relationships to be of particular interest and main focal point on this research.

However, while the fact that the way in which KIE firms circumvent the challenges of potential customer loss through strategies that make switching providers unpreferable or even inconvenient for their buyers at times can be viewed with ambivalence, in light of the grand societal challenges being faced in today's world, bringing light to how this type of firms, especially the ones with high potential for societal impact, can go about prolonging the value they create, could bring valuable insights and compass for aspiring firms with the same values.

Nevertheless, despite the growing number of publications and the volume of research conducted around understanding these firms at a deeper level, no research has been conducted on how service-based firms of this type in a Business-To-Business context, aim to increase their likelihood of survival by strategically aiming to retain their clients, furthermore, research on how switching barriers as a mechanism can be leveraged positively within service firms to bolster client retention, is, in general, an overlooked element of client retention as a whole. Therefore, no literature has explored the phenomena of preventing the loss of clientele in KIE service firms in a vacuum, let alone, through the leverage of switching barriers as retention mechanisms, furthermore, there is value in digging deeper into these incognita, as a better understanding of how brittle and value prone firms such as KIEs could approach their business exchanges to make them longer lasting.

## 1.3 Research purpose and research questions

**Research Purpose**

The primary aim of this research is to explore the strategic tools and mechanisms that Knowledge-Intensive Entrepreneurship (KIE) firms, particularly those with a service-based business model in a Business-to-Business (B2B) context, can use to retain and prolong their commercial relationships with clients. This study will focus on understanding how these firms leverage switching barriers as a strategic tool to enhance client retention. Further, the research intends to provide insights from a managerial perspective on effective real-case client retention strategies, with the broader goal of supporting the survival and sustainability of KIE firms, especially those with high potential for societal and environmental impact by looking into what is known about the client retention in general service contexts and comparing it to the real-world practice adopted by KIEs in B2B service.

Furthermore, the key objectives of this research are to explore the usage of switching barriers as a strategic retention tool, by investigating how switching barriers can be and are utilized by KIE firms to retain clients and prolong business relationships. Moreover**,** to provide insights into managerial approaches that can aid KIE firms in implementing effective retention strategies. Lastly, to address the knowledge gaps in existing literature regarding the use of switching barriers in client retention within the context of service-oriented KIE firms in B2B markets.

The first research question (RQ1) *"What kinds of switching barriers can be identified from a service-based KIE firm's general retention strategy?"* is proposed to both confirm the usage of switching barriers by these types of firm, as well as to understand the typology employed in service setups as they can differ from the ones leveraged in product-based setups.

And the second research question (RQ2) *"How do these switching barriers change as per the progression of the service relationships they establish?"* is proposed to understand the strategic employment of switching barriers by these types of firms, and understand the interaction of a retention strategy with the conditions and factors surrounding a service relationship.

## 1.4 Delimitations

This research aims to explore and understand the strategic use of switching barriers as part of a KIE firm's client retention strategy, however, retention strategies encompass other mechanisms complementary to switching barriers such as service recovery systems and loyalty programs. For the unfolding of this research, the focus is put on switching barriers exclusively, as these elements are overlooked by the current body of knowledge in business marketing and innovation.

Furthermore, other complementary mechanisms will not be explored in the unfolding of this thesis.

## 1.5 Thesis Outline

The first chapter, the introduction, provided an overview of relationship marketing and professional services, leading to the thesis's purpose and research questions. The second chapter, the literature review, covers theories and concepts regarding what is Knowledge-Based Entrepreneurship, retention and switching barriers, client relationship management, the stages of service relationships, and retention strategies in service-based businesses, followed by the third chapter which outlines the theoretical framework and conceptual framework for the data analysis. The fourth chapter details the research methodology, while the next chapter presents the empirical data collected. The sixth chapter, data analysis, compares the collected data with the theoretical framework using within-case and cross-case analysis. The final chapter draws conclusions and discusses implications for future research on the thesis topic.

# 2. Literature Review

## 2.1 Knowledge Intensive Entrepreneurship, as an entrepreneurial process.

*McKelvey and Lassen (2013)* define Knowledge-Intensive Entrepreneurship (KIE) as a particular type of entrepreneurship that differs by complexity from the traditional cycle-based process of opportunity identification, exploitation, and value creation *(Van der Veen & Wakkee, 2004)*. This entrepreneurial process, KIE, emphasizes a deep-rooted reliance on complex knowledge as the foundational basis for the formation of the firm, often, these ventures combine a mix of knowledge from scientific, technological, and/or creative domains collected during and amplified by the founders' past experiences. Furthermore, the KIE process is predominantly centered on the upbringing of innovative new ventures that translate these diverse forms of complex knowledge into novel products, services, or, the bundling of both. One important element that differentiates KIE is the deep-rooted reliance on the exploitation of knowledge assets and the interaction and leveraging of the operational ecosystems and the environmental factors that surround the founders during the creation of the firms themselves *(McKelvey and Lassen, 2013)*.

KIE is uniquely distinguished by the often-seen relationship between the created venture and their societal and policy contexts, for which the critical role of the external business environment in shaping entrepreneurial activity is of crucial importance. This focus extends to the broader ecosystem, which highlights the interplay between individual entrepreneurs, their ventures, and the surrounding context, a core specificity not necessarily found in traditional types of entrepreneurship where there is a relative detachment from these external factors surrounding the business.

As a process, the creation of these firms follows three iterative and dynamic stages. These three stages as listed in *Figure 2.0* consider the dimensions of to what extent the venture possesses access to resources.

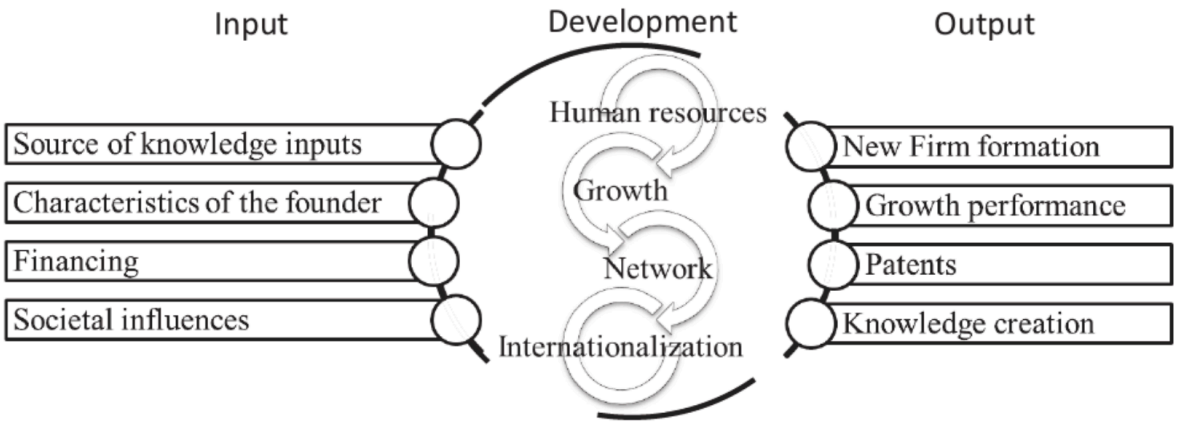


*Figure 2.0 KIE Creation Model (McKelvey & Lassen (2013))*

### 2.1.1 On the KIE firms themselves

According to *McKelvey & Lassen (2013)* firms that are products of the (KIE) process are severely influenced by the varied origins of their knowledge assets and the developmental trajectories of these enterprises. The categorization is crucial for understanding the diverse nature and foundational dynamics of KIE ventures, which are distinctly influenced by their initial conditions and resource accessibility.

*Corporate Spin-Offs* as described by the author, are firms that emerge from existing corporate setups, tapping into the established resources and markets of the parent company. These ventures in particular, are often strategically created to exploit new opportunities or to refine focus on core competencies. The support from the parent company, which may include funding, technology, and networks, tends to structure these ventures more formally and provides a robust foundation for their growth.

*Academic Spin-Offs,* in contrast, evolve directly from academic research, aiming to commercialize scientific discoveries and technological innovations. This category typically includes ventures started by researchers, professors, and/or students, who leverage the intellectual and infrastructural resources of academic institutions. Such ties often afford these ventures access to specialized laboratories and research setups, as well as intellectual property management, fostering an environment favorable to innovation.

*Independent Start-Ups,* also known as *De-novo* entrants**,** are initiated without direct backing from any existing organization or institution. Primarily led by individual entrepreneurs, these ventures often start with limited funding, be it personal savings or initial seed funding from angel investors. These firms are characterized by the challenge of building and leveraging business

networks and support systems from the ground up, relying heavily on the entrepreneurial acumen and past industry experience of their founders.

Nevertheless, the authors also highlight University-Related Ventures**,** which, though similar to academic spin-offs, originate from activities or research undertaken by students or alumni within university settings. These ventures may not directly commercialize institutional intellectual property but leverage the entrepreneurial capabilities and culture as well as the networks provided by the academic environment to which they are affiliated.

Additionally, *McKelvey & Lassen (2013)* introduces community and *Social Entrepreneurship* as a form of venture resulting from the KIE process, which encompasses ventures founded to address social, environmental, or community-specific challenges. These enterprises, however, often utilize community resources and public funding, emphasizing social impact and value creation over profitability.

Lastly, the concept of *Hybrid Ventures* is introduced to the available literature, these are described as those that combine elements from the multiple categories formerly mentioned, such as a corporate spin-off collaborating with academic institutions and so on. This type is increasingly prevalent in complex ecosystems where interdisciplinary approaches yield innovative solutions.

Furthermore, KIE ventures stand out due to their deep focus on the exploitation of specialized knowledge and innovation, which they use as their main competitive advantage. These firms are adept at turning advanced knowledge into new products or services that not only meet existing market needs but often create entirely new markets. Unlike traditional businesses that may rely on incremental improvements, KIE firms are driven by groundbreaking innovations. This could range from cutting-edge technology solutions to novel service models. They quickly adapt to changes in technology and consumer preferences, demonstrating flexibility that's essential in today's fast-paced markets. Importantly, KIE firms are not just found in high-tech industries; they operate successfully across various sectors, including those considered low-tech. This versatility and their ability to impact a wide range of economic areas highlight the unique role KIE ventures play in driving economic growth and technological progress.

### 2.1.2 What is understood as a service firm?

*Christian Grönroos (2010)*, a renowned scholar in service marketing research, articulates a nuanced definition of a service firm. In multiple of his works, the author proposes that such firms are fundamentally centered around the concept of value co-creation, a dynamic process where customers are not merely consumers but active participants. This interaction-centric approach

shifts the traditional business focus from mere transactions to fostering long-term relationships. Grönroos emphasizes that services are inherently intangible and exhibit variability, depending on the unique circumstances of each service delivery. In his works, he goes on to exacerbate how managing customer interactions meticulously is crucial for service firms to ensure mutually beneficial outcomes. His developing perspective effectively blurs the traditional distinctions between tangible goods and intangible services and posits that the essence of all these business transactions is fundamentally service-oriented *(Grönroos, 2000)*.

Furthermore, *Tether (2014)* posits services as challenging to define due to their intangible and immaterial nature, often considered acts or activities rather than physical outputs. As per the author, they encompass both the most menial and the most knowledge-intensive activities, such as surgery and consulting. Traditionally, services have been viewed as a residual category in economic classifications, distinct from the primary (raw materials extraction) and secondary (manufacturing) sectors. However, the author suggests that a key feature that identifies services is their intangibility, meaning they cannot be touched or stored and often perish at the moment of delivery. They are inherently relational and inseparable from the provider, often requiring simultaneous consumption and production. This makes achieving productivity growth in services challenging compared to goods, leading to higher relative costs over time.

Services as per the author, can act on people or objects, adding value through processes and performances rather than tangible products. They often exhibit variability and are temporally bound, making them perishable and difficult to standardize.

Therefore, a service firm, as articulated by *Grönroos (2010)* and *Tether (2014)*, can be defined as a firm centered on value co-creation where customers are active participants with a business model that transacts services instead of tangible products. Services are intangible, relational, and inseparable from the provider, and these firms focus on fostering relationships rather than mere product-based transactions.

## 2.2 Switching barriers

Firstly it is important to separate *"switching barriers"* from the umbrella term of *"client retention"*, *Ranaweera & Prabhu (2003)* describe switching barriers as factors that have significant effects on customer retention, as per the authors, these barriers include necessary investments from the customer side like time and financial costs, as well as obstacles such as emotional attachments and contractual obligations among others when defecting from a relationship with a vendor. They emphasize that switching barriers can both positively affect retention and moderate the relationship between satisfaction and retention in service encounters. This means that these barriers can both restrict customer churn and influence customer loyalty. Nonetheless, *Bansal & Taylor (1999)* posit that switching barriers in a service context are only effective when they are perceived and assessed by clients during their decision-making process of whether to defect or not from the ongoing engagements. Furthermore, *"Client Retention"* in general terms, refers to the lack of a customer/client's defection from continuing or re-engaging with current products, services or providers, and they suggest It involves strategies and efforts aimed at ensuring customers remain engaged and satisfied, thus continuing their relationship with the current service provider (*Blattberg Et al., 2020 and Hidayat, & Idrus, 2023*).

As per *Gerpott Et al. (2001)*, retention in a service context refers to the strategies and practices employed by businesses to prevent customers from defecting to competitors, thereby maintaining a continuous business relationship. It involves fostering customer loyalty through satisfaction, superior service quality, and the creation of value that exceeds customer expectations, ensuring that customers continue to choose the service provider over others. Retention is referred to starting at the very first contact a consumer has with an organization and developing through the span of the relationship held with the provider. Furthermore, in the context of strategizing for retention, switching barriers serve as a tool firms can resource to build and enhance retention, as they create incentives or disincentives that allow for retention to occur, therefore, switching barriers generate retention *(Jones Et al., 2000)*.

Nevertheless, their variation is dependent on multiple factors, the intended and/or unintended behaviors adopted by the firms, external factors, and the overall business context in which the firm operates as it will be explored further through this literature review.

Therefore, Switching barriers in service contexts are pivotal elements that affect customer retention and the decision-making process regarding loyalty to their provider. Defined by *Ranaweera and Prabhu (2003)* as the assessment of resources and constraints that influence a customer's ability to switch providers, these barriers include necessary investments like time and financial costs, as well as obstacles such as emotional attachments and contractual obligations. Switching barriers not only deter customer defection but also moderates the relationship between customer satisfaction and retention, thereby playing a strategic role in retention policies (Jones Et

al., 2000). Such barriers can be both naturally occurring within the business environment or intentionally enhanced by firms to bolster customer loyalty and reduce churn. Understanding the dynamics and impact of switching barriers is crucial for firms aiming to optimize their customer retention strategies within the competitive service industry landscape.

In conclusion, switching barriers play a crucial role in influencing customer retention within service industries. As explored by *Ranaweera and Prabhu (2003),* these barriers encompass necessary investments and obstacles that significantly affect a customer's decision to remain with a service provider. Effective retention strategies involve not only recognizing these barriers but strategically enhancing them to foster customer loyalty and reduce defection. Gerpott Et al. (2001) and Jones Et al. (2000) further emphasize the importance of integrating switching barriers into overall retention policies, which should start from the initial customer contact and evolve throughout the relationship. Understanding and manipulating these barriers effectively ensures sustained customer engagement and a competitive edge in the marketplace.

### 2.2.1 The known kinds of switching barriers in service contexts

When exploring the current body of knowledge around the concept of switching barriers discourse is found in terms of their limitations. In the early development of literature, the phenomena of switching barriers in a buyer-provider dynamic were generally presented as the combination of factors that would require a client or user to incur financial expenses if (and when) deciding to migrate from either service providers or physical technology solutions (Arthur, 1989), the general terminology used was *"Switching Costs"* cementing a strong paradigm at the stance that "switching barriers" existed solely as undesired financial hurdles as a consequence of defecting from products or services for substitutes. *Burnham Et al. (2003)* for instance, posit that financial switching barriers are comprised of benefit loss costs and monetary loss costs a buying firm could potentially suffer from when defecting from a service relationship with its provider, and propose these two as quantified losses in financial resources that can cause a buyer to stay in a service exchange.

However, *Liebowitz and Margolis (1994)* introduced a further and more dynamic concept of switching barriers to the body of literature on business relationships by defining it as "a user's inability or unwillingness to switch to other new products or services due to the existence of exit friction factors, thus opening the concept of switching barriers as not just *financial* or technological dependencies. Since then, the academic literature around this subject has expanded to adopt a broader typology of this term as the understanding of factors contributing to the creation of inability or unwillingness to defect grows as does the complexity of business practices.

Recent developments in business and marketing literature provide a nuanced understanding of switching barriers as both naturally occurring phenomena and strategic tools for retention. Contemporary typologies of switching barriers extend beyond mere economic hurdles, incorporating a variety of mechanisms that service providers can use to retain customers. One significant form of these barriers is contractual switching barriers.

*Chuang and Liu (2017)* propose that contracts serve as a substantial means of creating switching barriers in service contexts. These barriers are constructed by binding customers through time-bound legal commitments, often including fees or penalties for early termination. Such contracts effectively prevent customer defection in the short term by imposing financial costs that deter switching. However, *Chuang and Liu (2017)* also note that these punitive contracts can foster negative sentiments and increase switching intentions due to perceived coercion and dissatisfaction. Therefore, while these contracts can reduce defection rates initially, they may erode trust and loyalty over time, suggesting the need for a balanced contract design. This balanced approach should avoid customer entrapment and instead enhance overall satisfaction through positive switching barriers, such as offering special treatment and value-added services.

*Legal switching barriers* in the service industry include contractual and regulatory provisions that restrict a customer's ability to change service providers without incurring penalties or violating legal obligations. These barriers encompass contractual penalties, minimum commitment periods, regulatory compliance requirements, exclusive agreements, and intellectual property rights. For instance, contractual penalties often impose financial costs for early termination, such as cancellation fees or the forfeiture of deposits. Minimum commitment periods require customers to stay with the provider for a specified duration, with penalties for early exit. Regulatory compliance in industries like telecommunications, finance, and healthcare adds complexity and costs to the switching process. Exclusive agreements can prevent customers from using competing services, and intellectual property rights can complicate data transfer to new providers. *Burnham, et al (2003)* categorize these legal constraints as procedural switching costs, emphasizing their role in creating significant hurdles for customers. They highlight how contractual terms and regulatory requirements can increase the complexity and financial burden of switching, leading to customer lock-in and reduced market competition.

*Technological switching barriers*, on the other hand, are crucial factors that deter customers from changing their current technology solutions, often due to significant dependencies that develop over time. These barriers can manifest as compatibility issues, where new technologies may not seamlessly integrate with existing systems, necessitating costly adaptations or complete overhauls *(Clemons, 1986)*. Additionally, factors such as learning costs associated with acquiring new technological skills can discourage clients from switching, as can the complexities involved in integrating new solutions with established processes. Economic factors are a consequence of the adoption of certain technologies that make it economically unfeasible to switch without

sustaining substantial losses. *(Clemons, 1986).* Therefore, in the context of technological barriers, these can be differentiated from traditional financial barriers, as the technological adoption itself indirectly causes financial implications as a consequence, where financial barriers are directly

These barriers collectively contribute to a scenario where customers are effective to their current technology, limiting their flexibility to adopt potentially superior alternatives.

In another case, *Schmitz Et al. (2016)* explore switching barriers in the context of buyer-supplier service relationships, in their research, while touching upon the more traditionally known barriers (financial and legal), they include the element of *risk aversion* as a new dimension of those barriers, they evidenced through grounded theory and tested through a live case study how buyers in B2B service setups have the unwillingness to defect a relationship with a service provider due to the risks associated with stepping down to a service provider with inferior quality, the authors therefore, denote the perceived switching huddles for the buyer side relating to the potential risk of service quality drop which ends disincentivizing buyers from exiting the ongoing relationships due to elements other than financial barriers.

Through another research thread, *Fliess and Volkers (2020)* explore the concept of switching barriers during service encounters from a different perspective, in their research, they identify other factors generating switching disincentives, they point at other elements such as physical barriers, dependency on service outcome, and societal pressures. These forms of barriers occur when customers are compelled to sustain their engagement in a service setting, due to constraints that make leaving difficult, either physically or socially. In another of his papers "Can I go or Should I stay", *Volkers (2021)* presents the concept of *social lock-in* which consists of societal norms that act as switching barriers for service defection, and how these have an impact on consumer behavior and decision making. It highlights how social norms and the presence of others (other individuals within the same societal context) can create a sense of social pressure, preventing individuals from disengaging from a service or social setting. Furthermore, in an earlier publication *Volkers and Fließ (2017)* had also delved into the subject of social lock-ins from a different perspective, in their study, they concluded that societal norms create effective switching barriers which enable higher retention as the societal expectations of a buyers behavior could cause reputational loss, nevertheless, in their study, it is also contemplated that these switching barriers tend to be unintended from either of the actors in the bilateral exchanges and are highly dependent to the societal context within which the businesses operate.

Nevertheless, not all switching barriers as a retention mechanism are based on principles of constrictive and financially punitive behaviors, *Gao Et al. (2023)* for instance, examine the strategic utility of switching barriers from a perspective where unwillingness to exit is created through means other than intended economic-focused fencing or reliance on societal

externalities. Through a quantitative study, the authors demonstrated the effectiveness of adopting what they describe as affective behavior which develops what they describe as *relational barriers* (unwillingness to defect) in service-based encounters, as per the author, affective behaviors are centered on the emotional satisfaction and holistic affective experiences customers derive from their engagement with the firm, the author thus emphasizes that improving affective customer experience is a key strategy for customer retention, as it promotes relational-focused interactions that evoke positive affective feelings, leading to stronger customer loyalty. *Sharma and Patterson (2000)*, however, further expand on this concept and propose this type of switching berries as also being of a psychological and/or emotional nature, as they in certain types of service relationships, may comprise psychological and emotional costs derivative from the loss of the relationship with their providers. Elements such as social bonds, personal rapport, and trust that can be built over a period of time might represent a psychological exit barrier for buyers. Furthermore, as per these authors, this affective approach to customer retention works by enhancing the overall emotional experience of the customer, making them more likely to remain loyal to the company not just because of rational benefits, but because of the positive emotions and satisfaction they experience through their interactions with the firm.

Additionally, in services, *Zhang (2009)* conceptualizes switching barriers due to *network effects*. The network effect in retention refers to a situation where the value of a product or service increases as more users adopt it, this can lead to switching barriers as users are less likely to switch to competing products or services because the value and utility loss implied when defecting when compared to staying with the current network as it's value is much higher due to the large user base. Essentially, the more extensive the network, the greater the benefits to each user, making it harder for individuals to leave without losing those benefits.

Nonetheless, *Shih (2012)* investigates in his research the phenomenon of cognitive effort as another type of switching barrier within B2B services, particularly in the context of service-based platforms. The study introduces a concept known as information usefulness as a critical dimension of this type of switching barrier. This dimension emphasizes the role of a service in reducing the cognitive search efforts and costs for a customer or client. *Cognitive switching* barriers, as defined by *Shih (2012)*, these hurdles incentivize the consumer's tendency to repeatedly select the same product or service, a behavior driven by the ease and familiarity of use. The author employs quantitative analysis to demonstrate the impact of these cognitive switching barriers, illustrating their effectiveness in preventing customer defection in service-based contexts.

### *A Conclusion and Reflection on Switching Barriers in Service Exchange*

In conclusion, the current literature allows for a better conceptualization of what encompasses switching barriers as both a mechanism and effect. Furthermore, against the popular paradigm of

leveraging the term as mere financial hurdles, research posits a broader spectrum of appreciation and categorization for these mechanisms that span from a more invasive/forceful means of retention to less aggressive ones that seek to evoke voluntary re-engagement through unwillingness from the client's side as it can be observed on *Table 1*. Therefore, the inclusion of switching barriers in a firm's retention strategy can have a positive effect in deterring client defection, these barriers include necessary investments like time and financial costs, as well as obstacles such as emotional attachments, contractual obligations, and even the extent of societal expectations, and they can emerge by either intended or unintended behaviors from the service provider through the lifecycle of the service exchanges.

When it comes to the already known observable switching barriers firms have and can leverage, the literature allows for a stronger comprehension of how, in a service context, they differ partially from switching barriers in a product-based context and that the variety is vast as a consequence of the very nature of them as mechanisms of retention, as they are contextually dependent, hence the spectrum encompassing abstracts as big as societal expectations. However, given that switching barriers as a retention mechanism encompasses any effort or action a firm performs that induces unwillingness and/or inability for clients to defect from the established service exchange between the parties, it is also possible as indicated by the literature, that new forms of switching barriers can be observed in the case of KIEs, given the complex and nuanced nature of their services or product-service systems, and how they are structurally bounded and influenced by their operational environments as well as the novelty of their offerings.

| Barrier Type | Description | Source |
|---|---|---|
| **Financial** | A client is required to incur substantial financial investments if & when defecting to a competitor or substitute. | Arthur, 1989 |
| **Contractual** | Contracts that bind customers with time-bound commitments, shared responsibility, and imposing fees or legal penalties for early termination. | Chuang & Liu, 2017 |
| **Risk Aversion** | In B2B contexts, buyers avoid switching due to risks of quality drop, preferring to maintain existing supplier relationships. | Schmitz Et al., 2016 |
| **Social Norms** | Societal norms act as barriers, preventing service defection due to societal pressures and potential reputational loss. | Volker, 2021; Volkers & Fließ, 2017 |
| **Relational** | Developing relational barriers through emotional connections, not just economic incentives, requiring emotional hardships when defecting | Gao Et al., 2023 / Sharma & Patterson, 2000 |
| **Network Effects** | Using network effects in industries to create high switching costs by attracting users with low prices and increasing them over time. | Zhang, 2009 |
| **Cognitive Effort** | Barriers emerge from the role of a service in reducing the cognitive search efforts and costs for a customer or client | Shih, 2012 |
| **Technological** | Due to the compatibility of alternatives with current solutions and | Clemons, (1986) |

| | | |
|---|---|---|
| **Barriers** | systems. | |

*Table 1.0 known examples of switching barriers in service exchanges.*

## 2.3 Service Relationship Types and Relationship Management

When it comes to service relationships in B2B the literature presents two fundamentally different approaches based on the characteristics of the depth and degree of interaction between buyer and supplier. From the available literature, the two typologies that can be primarily differentiated based on these two factors are *"transactional"* type of relationships and *"relational"* service relationships. Each one of these two approaches is informed by distinct principles and carries distinct implications for the business strategy as illustrated by key scholarly insights.

Those described as *"transactional"* B2B service relationships are generally characterized primarily by their short-term interaction and emphasis on individual sales rather than ongoing interactions. According to *Dwyer Et al. (1987)*, these relationships are typically limited in duration, defined by specific exchanges or transactions based on rather clearly defined needs from the buyer side. These types of engagements in service have a primary objective in efficiency and cost-effectiveness, with minimal personal connection and collaboration between the parties involved. This can often lead to a competitive environment where price is a dominant factor *(Dwyer Et al., 1987)*.

Alternatively, *"relational"* B2B service relationships as per the same authors, are characterized by an emphasis on ongoing and prolonged engagements and are driven by the mutual benefits that accrue over a longer period rather than isolated transactions when compared to transactional ones. An important element denoted by the authors is the embeddedness of interactions within a framework of formal interactions. *Sheth and Parvatiyar (1995)* argue that relational marketing or also known as *"relationship marketing"* by other scholars, focuses on the continuity of relationships, involving high levels of interaction and a deeper understanding of the client's evolving needs, in their works, they highlight a defining feature of relational service relationship, which is the mutual interdependence between buyer and supplier. This approach, as proposed by the latest, shows an increased propensity of these types of relationships for more effective customer retention, loyalty, and trust through personalized services and a commitment to shared success, thereby reducing the emphasis on price as the primary decision factor and thus promoting higher levels of embeddedness between the involved parties.

*Grönroos (1994)* further supports this distinction by highlighting that relational marketing shifts the focus from the traditional marketing mix to more personalized and direct interactions that build longer-term relationships. In relational approaches, the quality of the service and the overall customer experience are paramount, aiming to create a competitive advantage through

superior depths in the firm's relationships with its customers. Therefore, from the perspective of **"relational"** service relationships in B2B, the proneness of switching barriers emergence is higher in relational-type relationships when compared to transactional ones due to their more immersive level of embeddedness and inter-firm interaction which enables a wider platform for strategy delivery.

These perspectives, therefore, denote fundamental differences between transactional and relational paradigms in B2B service relationships and therefore:

- **Transactional relationships** focus on short-term gains, efficiency, and standardized service offerings, with minimal customization *(Dwyer Et al., 1987)*.
- **Relational relationships** prioritize long-term commitments, customized service offerings, and collaborative efforts to meet customer needs, ultimately enhancing relationship length and value and client satisfaction *(Sheth & Parvatiyar, 1995; Grönroos Et al., 1994)*.

In this context, a firm's ability to establish switching barriers is therefore modified by, among other factors, whether its marketing orientation is that of a relational or transactional nature.

### 2.3.1 Stages of Service Relationships

With the modifying effects of relationship types being present, the relationship lifecycle in these service engagements from the seller's perspective is also pivotal for understanding how firms from a general perspective, deal with the management of their interactions and therefore how this lifecycle can be dissected to comprehend its effects over how switching barriers are utilized within a firm's retention strategy. From the available relationship marketing literature the different stages that can be appreciated within the lifecycle of these relationships can be condensed and divided into several key stages, each vital for different reasons and supported by scholarly insights.

**Awareness and Knowledge Building (Exploration):** Initially, the selling firm focuses on the profiling and attraction of potential clients and the creation of awareness of the value proposition and services offered by the firm. In this stage, the authors suggest it is critical for setting the stage for potential engagement through marketing and preliminary interactions. According to *Sheth & Sobel (2006),* establishing awareness and credibility early on is essential for building a foundation for further interactions in the business relationship. Furthermore, as per *Putra Et al. (2023),* it is during this stage, as they propose, that the initial events of retention take place.

**Establishment:** According to *Rackham's SPIN selling model (1988)* the establishment stage encompasses the negotiations and the finalization of agreements between buyer and seller. As a

stage that involves loops within it, the author highlights the importance of the resulting alignment between the service offerings and the client's strategic goals and needs, suggesting that the understanding and addressing of specific customer needs is crucial for structuring and establishing mutually beneficial relationships *(Rackham, 1988)*. Additionally, *Cialdini (2001)* proposes the principles of influence, meaning, elements such as reciprocity and social proof, act as forces that enhance credibility and higher likelihood of engagement from potential clients to commit *(Cialdini, 2001)*. *Lai (2010)* further argues that trust and value perception are decisive elements that influence this stage, they advocate for the clear demonstration of how services mitigate business risks or enhance performance to seal agreements effectively *(Lai, 2010)*.

**Development Stage:** Once an agreement is established, the development stage involves the ongoing delivery of services agreed upon. *Day (1994)* emphasizes the importance of continuous learning and adaptive capabilities in service management, asserting that businesses must learn from each client interaction and adjust their service delivery accordingly *(Day, 1994)*. Hunt and *Morgan (1995)* introduce the resource-advantage theory, emphasizing the strategic management of resources—knowledge, expertise, and technology—to maintain a competitive edge *(Hunt & Morgan, 1995)*. *Grönroos (2000)* adds that continuous client engagement and customization through dialogue and interaction are fundamental, advocating for a value-creation process that extends beyond transactional interactions *(Grönroos, 2000)*. It is during this stage that the interactions that encompass the value-creation process are embodied *(Lowendahl, 2005)*.

**Decline or Termination:** This phase deals with the dissolution of the relationship, whether due to contract completion, changes in needs, or other business decisions such as dissatisfaction, substitution, or other factors that incentivize or enable the event of **defection** *(Kumar & Reinartz, 2012)*. Furthermore, it is during this stage that Kumar & Reinartz suggest firms can create contingencies through proceeding with a proactive intervention strategy to prevent customer churn, meaning, a retention strategy. Therefore, effective management of this phase is crucial to preserve goodwill and potentially extend the longevity and value of the existing relationships with clients; to this, *Sheth, (2002)*, discusses the importance of understanding the reasons for a relationship's decline and managing the termination process to minimize negative impacts. Furthermore, as per the authors, this is where defection triggers, meaning, the reason(s) why a client would choose to abandon the currently established service relationship, can occur.

**Retention Stage:** Retention strategies focus on preventing client defection. *Coughlan & Anderson (1987)* discuss the role of well-managed contractual agreements in enhancing client retention, suggesting that trust and regular performance reviews can significantly reduce defection rates *(Coughlan & Anderson, 1987)*. *Morgan and Hunt (1994)* introduce the commitment-trust theory, emphasizing that both elements are crucial for retention, with consistent, reliable service delivery and ethical conduct fostering trust *(Morgan & Hunt, 1994)*. *Kumar & Reinartz (2016)* highlight the importance of customer engagement, proposing that

personalized communication and responsive service adjustments can enhance loyalty and reduce the likelihood of defection *(Kumar & Reinartz, 2016)*.

**Growth Stage** The Growth stage relates to the *renewal, repurchase* or *expansion* of the services between the parties, in this stage, the expansion of the scope of the relationship can be observed. *Malthouse & Calder (2005)* emphasize the significance of managing customer experiences to exceed expectations during this stage, thereby encouraging clients to renew and expand their contracts. *Grönroos (2008)* discusses service-dominant logic, arguing for the integration of service providers into the client's business processes as a strategy for uncovering new service opportunities. *Kohli & Jaworski (1990)* advocate for a market orientation that involves analyzing customer needs and competitor capabilities continuously, enabling service adaptations that meet evolving client requirements and foster relationship growth.

Furthermore, the collection of literature allows for the segmentation of these stages and builds an outline and a comprehensive view of the relationship lifecycle in relational service engagements from the service provider's perspective, highlighting the strategic and operational aspects essential for managing customer relationships successfully and therefore acting as a platform for retention strategy delivery. Nevertheless, in the context of service-based firms holding service relationships in B2B contexts, the implication of these firms possessing a deeply embedded relationship management element is imperative to look at.

Moreover, among the literature there is a strong emphasis on the term Customer Relationship Management or CRM, however, in the modern days of literature around Client Relationship Management (CRM) a paradigm has been formed by mainly referring to it as an Information Technologies (IT) phenomenon, and the term is generally framed around the adoption and utilization of digital technology solutions as a mean of centralizing and documenting all interactions with existing customers or clients *(Payne & Frow, 2005)*. However, CRM in a service context, follows a different dynamic. Introduced into the marketing and business lingo, the emergence of Client Relationship Management (CRM) in service encounters was developed by collective research of various authors in the recent decades *(Grönroos, 2000; Payne & Frow, 2006; Swart, 1999)* under the premise of CRM encompassing a firm's collective actions towards *creating, developing* and most importantly *maintaining* successful and mutually beneficial relationships with their clients or customers.

In this context, *Lambert (2010)* describes Customer Relationship Management (CRM) as a strategic, cross-functional process integral to business-to-business (B2B) relationships, *Lambert (2010)* posits it as the process that provides the structural architecture for how relationships with customers are created, developed, and maintained and therefore allow for more precise and effective value capture out of the current relationships held.

### 2.3.2 Defection Triggers

Given the primary purpose of retention strategies is their ability to reduce the likelihood of buyer defection, it is important to explore in greater detail the factors that can contribute to a client's defection. *Kumar and Reinartz (2018)* discuss customer defection triggers within the broader context of customer retention strategies in service engagements and the importance of a firm's ability to manage these relationships effectively. As per Keaveney (1995), *Defection Triggers* can be understood as the factors that catalyze a customer's decision to terminate a service relationship and migrate to substitutes, competitors, or complete elimination of the services themselves. This may include factors such as poor service quality, failure to resolve issues, perceived indifference, better offers from competitors, and changes in customer needs or circumstances the conditions which would motivate the buying party to categorically, within their work several factors that can lead to customer defection are implied, particularly within a B2B context. These factors are integral to understanding why clients might choose to end their business relationships. Among the possible factors identified by the authors in their book, the following stand among the most common themes of possible defection triggers in service relationships:

- **Perceived Value:** If customers feel that the value they receive does not justify the cost, or if a competitor offers a better value proposition, they may defect.
- **Lack of Personalization or Relevance:** Services or communications that do not address the specific needs or preferences of the customer can lead to a feeling of disconnect and prompt defection.
- **Better Offers from Competitors:** Customers are continually assessing the market. Attractive offers from competitors that provide perceived better benefits can serve as a defection trigger.
- **Changes in Customer Needs:** As businesses evolve, so do their needs. If a service provider does not adapt to changing requirements, customers may defect to providers who can better meet their evolving needs.
- **Poor Customer Service:** Inadequate support, unresponsive customer service, or difficulty in resolving issues efficiently can trigger customer defection.
- **Fulfillment and Reliability Issues:** Failures in reliably fulfilling orders or meeting service agreements can erode trust and prompt customers to look for alternatives.
- **Dissatisfaction with Service or Product Quality:** Poor service delivery, product failures, or not meeting the promised standards can lead customers to reconsider their options.

## 2.4 Defining Retention Strategies in Business

The word strategy in a business context is a rather straightforward concept in the academic body of research with a vast range of names casting a perspective on what they are, as per the available literature, a "Strategy" in a business context, can be defined as the coherent and integrative set of actions and policies designed to achieve the long-term objectives and competitive advantage of the organization. A strategy encompasses the establishment of the organization's direction, the formulation of specific goals, the development of policies and plans to achieve these goals, and the allocation of resources necessary for implementing the plans. A strategy involves understanding the internal and external environment of the organization and aligning organizational capabilities with market opportunities and threats. *(Mintzberg, 1994; Porter, 1980; Chandler, 1962; Rumelt, 2011)*

### 2.4.1 Measuring the efficacy of a retention strategy

*Schulte (2015)* discusses the concept of switching barriers in service relationships, emphasizing how they cumulatively impact customer decisions on whether to leave or stay. These barriers, which include financial costs, time, effort, and emotional investment among others, progressively reinforce customer retention by increasing the difficulty and sometimes costs of switching to alternative providers. As these barriers accumulate, they effectively lock customers into their current service arrangements, superior alternatives being available or even despite dissatisfaction at times. *Schulte (2015)* highlights that this cumulative effect of switching barriers is integral to understanding consumer behavior within the framework of path dependence, where early decisions significantly shape future choices and commitments, subtly coercing customers to maintain their existing service relationships.

Further, as presented by *Sheth (2002)* and *Kumar and Reinartz (2012)*, effective customer retention strategies are critically evaluated at the juncture of potential defection, that is, when a client is faced with the decision to either stay in or leave the service relationship. However, *Kumar and Reinartz (2018)* emphasize the importance of preemptively identifying and addressing defection triggers to increase the efficacy of retention efforts. They suggest that the ultimate test of these strategies is *their ability to mitigate defection risks* before they culminate in customer loss *(Kumar & Reinartz, 2018)*. Other scholars from the marketing body of literature also support this notion, *Keiningham Et al. (2015)* argue that the decision of a customer to stay despite defection considerations serves as a direct indicator of a retention strategy's success, in their works, the author highlights the crucial role of managing critical defection moments (defection triggers). Furthermore, *Reichheld (1996)* posits that the reduction in defection rates (meaning the percentage of total clients remaining at the end of a certain period) is another tangible metric for evaluating the effectiveness of retention strategies, advocating for observing

customer responses to defection scenarios as a primary measure of retention strategy performance *(Reichheld, 1996).*

Therefore, these viewpoints converge on the principle that retention strategies are validated through their proven capacity to maintain customers during the length of the agreed engagements, particularly when defection is possible, however, the authors also pinpoint that it is at the juncture point when a client can leave the engagement that switching barriers come into effect, thus suggesting, the *locus* and *citus* in which retention strategies come into effect *(Ranaweera & Prabhu, 2003)*

### 2.4.2 On effective and timely strategy

*Mintzberg (1987)* Argues the effectiveness of a business strategy is fundamentally intertwined with the temporal dimension, a perspective that since has increasingly been acknowledged by strategic management scholars. Through a systematic review, *Mayer and Floriani (2022)* looked deeply into how a firm's effective strategy contemplates time as a main factor not only in the sense of duration but also, in the sense of timing, and meaning, at which point in time events occur in a strategy. In their paper, the authors suggest that the objective dimension of time in strategies represents the temporal horizontality that it captures the course of actions from a processual and dynamic perspective, in this context, the authors refer to a strategy as being temporal, therefore, in a service context, this temporal element is determined by the begging and end points of the service relationship from a linear perspective.

Further, Mintzberg's conceptualization of emergent strategies highlights the intrinsic role of time in the formulation and realization of strategic initiatives. *Warren (2008)* emphasizes the time dimension by augmenting that strategy dynamism provides a systematic framework for understanding how business strategies develop and impact an organization over time. Warren's methodology involves modeling the interactions between various strategic elements, such as resources, capabilities, and conditions, and examining their evolution. This approach not only acknowledges but centralizes the temporal aspect, illustrating how the effectiveness of a strategy is dependent on its capacity to adapt and respond to changing internal and external dynamics over time. Furthermore, *Shipp and Jansen (2021)* argue that this dimension is usually suppressed in organizational studies and supports the important role it plays in organizational phenomena.

Collectively, these perspectives underscore that the temporal dimension is not only a backdrop for strategy execution but a crucial, active element in shaping strategic effectiveness and evidence of the correlation between the time dimension and the execution aspect of strategies in business. Furthermore, the authors suggest strategies that fail to adapt to the time dynamics in competitive environments, resource availability, and technological advancement risk higher levels of failure. Therefore, a nuanced understanding of the time dimension is essential for the

development and implementation of effective business strategies. Nevertheless, as the research conducted in the strategic behavior of KIE firms is non-existent, and the intangible nature of services makes it more difficult for switching barriers to materialize at a specific point in time such as the event of purchasing a phone, looking closer into this element might bring to light nuances in the strategic behavior of these firms.

# 3. Theoretical Framework of the Thesis

For the further exploration of the presence of switching barriers in a Service-based KIE firm's retention strategy, the researcher moves into the sensemaking and sense-giving of the collected literature to condense it into a digestible and bounded scope that allows for the understanding of the rationale to be utilized during the seek of providing an answer to the proposed research questions. One important distinction is that this research is conducted to unveil all elements of interest from the seller's perspective, therefore, all the theories and literature employed from this point forward, are viewed from the selling firm's perspective.

Furthermore, for the further stages of this research, it is then considered that there is a vested interest in the proposed typology of ventures to retain their clients *(McKelvey & Heidemann Lassen, 2013; KPMG, 2018; McKensey, 2022; Porter, 1980; Egan, 2008; Grönroos, 2000 and Shapiro, 1989)* and that they do in fact purposefully and actively engage in efforts to build retention of their must value-producing relationships through their relationship creation, development and maintenance efforts *(Egan, 2008)*.

Henceforth, to answer the first research question, it is therefore understood that a firm's retention strategy lives in a firm's Client Relationship Management (CRM) process which encompass a firm's actions towards creating, developing and maintaining their service relationships *(Grönroos, 2000; Payne & Frow, 2006; Swart, 1999; Narayandas, 1998 and Egan, 2008),* further, it is also understood that switching barriers emerge not only through intended or unintended actions or behaviors performed by the selling firm in their relationship management, which generate unwillingness or inability for a client to defect, but also through when in the temporal dimension of their relationships these actions are performed *(Mintzberg ,1987; Mayer & Floriani, 2022 & Warren, 2008),* that is, in what stages the behaviors or actions enabled the creation of such barriers *(Sheth & Sobel, 2006; Putra Et al., 2023; Rackham, 1988; Cialdini, 2001; Lai, 2010; Day, 1994; Hunt & Morgan, 1995; Grönroos, 2000; Lowendahl, 2005; Kumar & Reinartz, 2012; Sheth, 2002; Coughlan & Anderson, 1987; Morgan & Hunt, 1994; Kumar & Reinartz, 2016; Malthouse & Calder, 2005; Grönroos, 2008; Kohli & Jaworski, 1990).* That said, the switching barriers can be identified and categorized based on the analysis of the behaviors and/or mechanisms employed by the selling firm through the stages of the service relationship *(see Table 1.0)*.

Furthermore, service relationships are both time-bounded and temporal due to the nature of their intangible and transitory dependence on the existence of a need (Tether, 2014), and sensitive to disruption by external forces such as competition attractiveness, obsolescence or substitution, or internal forces within the relationships themselves (dissatisfaction, lack of relevance and reliability issues)**,** therefore, relationships as a time-bounded exchange between the involved firms, can potentially see themselves being brought to an early end by the disruptive effect of

defection triggers which can occur at any time during the length of the relationship from the buyer's side *(Porter, 1998; Kumar & Reinartz, 2018 & Keaveney, 1995),* in light of this, relationships are therefore seen as a linear exchange in the temporal dimension starting at the awareness stage, and subject to end at the juncture point where the relationship can experience either termination (caused by defection triggers), which is the locus and citrus for the contribution of switching barriers to come into effect *(Schulte, 2015; Sheth, 2002; Kumar & Reinartz, 2012, 2018; Keiningham Et al., 2015; Reichheld, 1996),* or experience continuity or growth (renewal, repurchase, expansion) where the act of maintenance of the relationship takes place.

Nevertheless, while some literature suggests, that service quality and customer satisfaction are paramount for a firm to be able to build retention and thus strategize for it *(Kumar & Reinartz, 2012 & 2018; Lowendahl 2005; Keaveney, 1995)* these elements will be considered as given and thus not contemplated for the further stages of this research.

Furthermore, to answer the proposed second research question, it is understood that a retention strategy contemplates the time dimension *(Mayer and Floriani, 2022 and Mintzberg, 1994)* and that, while there can be loops within the stages of a service relationship lifecycle, these stages mark the time progression through which switching barriers interact and change by once established during the service relationship lifecycle.

Given there the interdependencies and interconnectedness between the multiple elements and aspects surrounding the context of service relationships, with retention strategies being embedded in the client relationship management process within firms, and switching barriers being a product of the behaviors and mechanisms adopted by firms during the stages of relationship lifecycle to retain their clients, the researcher, therefore, proceeds to formulate a conceptual framework with which the client's journey through the services can be analyzed from the providing firm's perspective to uncover all the relevant conceptualized theories and to provide answers to the proposed research questions (*See figure 3.0*).

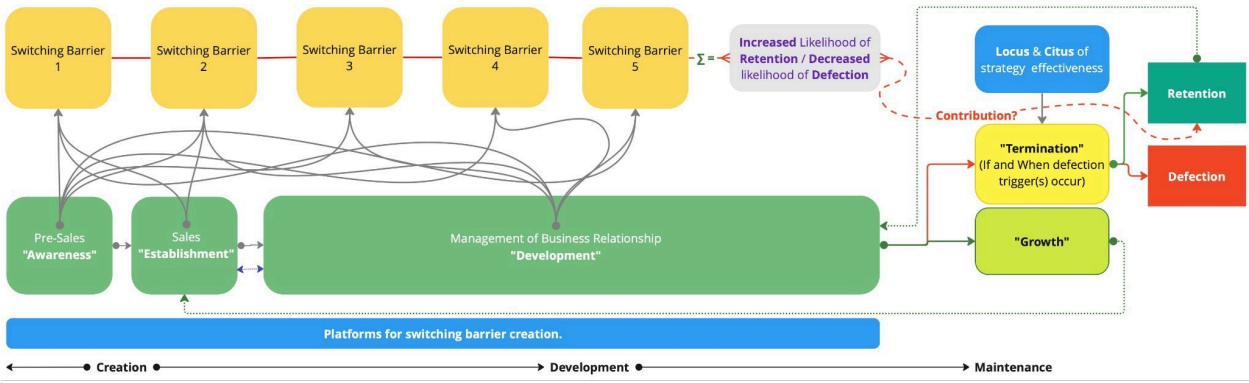


*Figure 3.0 General linear path of the client's journey through the service relationship's lifecycle seen from the sellers perspective for retention strategies through the relationship management process (Own illustration)*

In the present conceptual framework, relationships are assumed to start at the awareness stage, and travel through the stages of establishment and development during which switching barriers can be created, furthermore, the juncture point in which a service relationship can grow, or be potentially terminated is an inflection point in the relationships, in this case, when a relationship is prone to termination (cause by defection triggers) retention can occur either by the effectiveness of the of the established switching barriers, or the employment of service recovery systems (which are not considered within the scope of this research).

> **NOTE:** For validity testing of the conceptual framework in the context of a client's journey, the researcher proceeded to perform a "thought experiment" by utilizing the case example of the Apple Inc. products iPhone and Airpods as "experience givers" in the context of the "Apple ecosystem" as a service where the "IPhone" was assumed to be purchased first and the "AirPods" later. During this experiment, the researcher proposes a new dimension, where certain switching barriers have mutual reinforcement, as well as their cumulative effects *(See Figure 4.0)*.

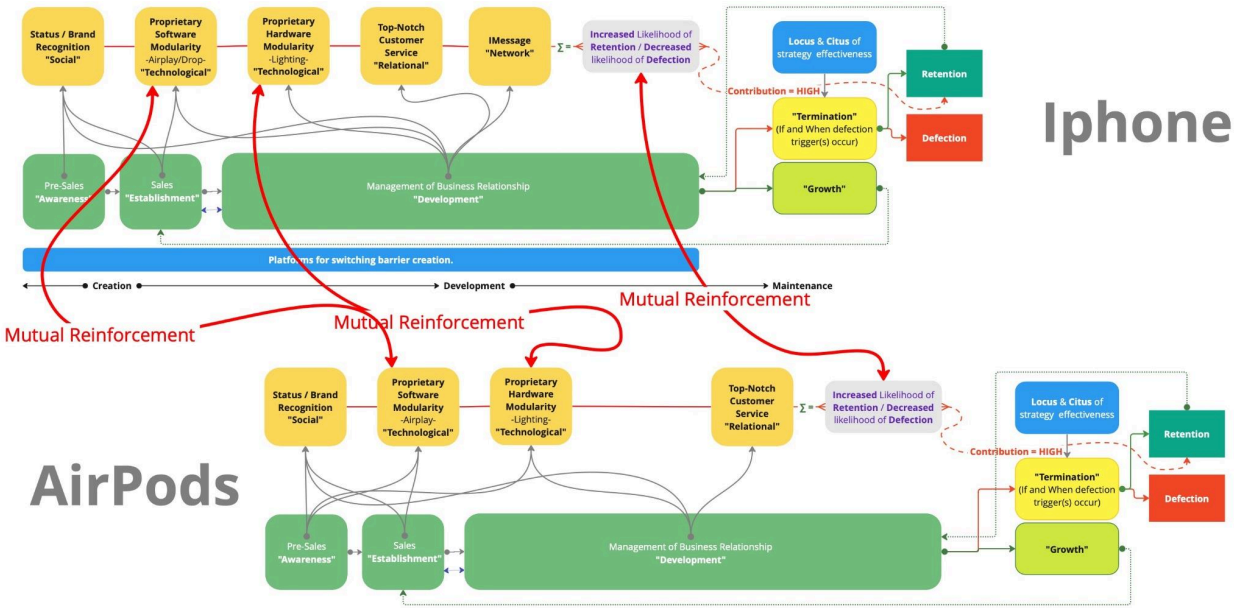


*Figure 4.0 Thought Experiment for the validity of the conceptual framework with Apple Inc's products iPhone and Airpods (Researcher's own interpretation).*

# 4. Methodology

## 4.1 Research Approach

As per *Bell Et al. (2019),* the two overall approaches to conducting research are *induction* and *deduction.* When data is first collected and then, after analyzing the data a theory is developed consequently, the approach is inductive. On the other hand, if a theory or hypothesis is first developed and then, later a research strategy is designed to test the hypothesis, the approach is of a *deductive* nature. In this thesis, given research around the subject of interest has not been conducted before, and that the theoretical framework that drove the collection of data and afterward analysis of it has been hypothesized by looking at existing literature on the main topic of interest and its adjacent theories. Therefore, a deductive approach was applied to this study.

## 4.2 Research Strategy

*Bell Et al. (2019)* propose a qualitative research approach when the researcher deals with matters other than numbers, therefore words and visuals. In their works, qualitative research is depicted as the suitable approach when dealing with research that involves the interaction between individuals. On the other hand, the authors appeal to the naturalism element of qualitative research whereby the researcher seeks to understand reality in its own terms. Therefore, given the scope of this research being that of understanding the kinds of switching barriers the subjects of interest aim to establish through their interactions in their service relationships as a social and interactive construct, and the fluid typology of switching barriers as a whole, a qualitative strategy was adopted for the unfolding of the research.

## 4.3 Research Design

*Bell Et al. (2019)* argue in favor of a case study design to be favorable when looking at a firm-level analysis, more so when they are contextually bounded units to be looked into. Nevertheless, the authors also suggest a cross-sectional design as a beneficial way for researchers to compare and contrast when the cases carry unique complexity to them. Therefore, given the focus of this research is on KIE firms in isolation, and that these firms, within their high level of complexity can still manifest in distinctive types *(Mckelvey & Lassen, 2013)*, a case study unit of analysis approach was therefore chosen by the researcher for this research, as they allow for the deeper and closer look. However, due to the fact these firm typology is agnostic to major factors such as industry, and level of technology, and that they can be sub-categorized within the KIE umbrella term based on their inception, a cross-sectional comparative design has been chosen by the researcher to find similarities or nuances between the case subjects and the research's elements of interest.

## 4.4 Sampling

*Bell Et al. (2019)* posit purposive sampling as a non-probabilistic form of sampling that does not rely on randomness, and it allows for more strategic freedom in the selection of participants. As proposed by the authors, this form of sampling allows the researcher to look into cases that serve as best fitting for the specific research purposes and relevance to the research question. Furthermore, given this research looks into underexplored, complex, and dime-sized niche levels of prospect subjects, purposive sampling has been chosen for the employment of the cases to be compared.

In terms of sampling approach, a critical sampling approach to the case selection has been employed, *Bell Et al. (2019)* suggest this approach is beneficial for selecting crucial cases that in anticipation (inferred by the researcher) might allow for theories to be tested. In the case of this research, this sampling approach was deemed adequate as firms fitting the categorical descriptions of service-based KIE firms as per *McKelvey & Lassen (2013)*, as well as *Grönroos (2010)* and *Tether (2014)* were needed. Additionally, given the theoretical and conceptual frameworks of this thesis are constructed based on research conducted on a broader service-based business context and not on a discriminatory vacuum to KIEs in specific, the hypothesis that KIE firms do strategize for retention had to be pre-validated before the collection of data for which critical purposive sampling is suitable.

For the cases employed in this research, a total of three identified KIE firms were reached out to by the researcher, however after initial contact with the firms, two were identified as suitable as the third one exceeded the eight years of operations since founding. Furthermore, the two employed cases in this research have been kept anonymous at the discretion of the researcher, furthermore, for the forthcoming sections of this document, these firms will be addressed as ALPHA and BETA respectively to ensure the anonymity of the participant firms as per the researcher's discretion.

## 4.5 Data Collection

The data collection element of this research involved a mix of *primary data* collection through semi-structured interviews and unstructured observations from visits by the researcher to the firm's headquarters offices, and *secondary data* collection through review of company documents and media outlets, those being the firms' websites and linked-in post with a total of *29.5 hours* invested in data collection.

Semi-structured interviews were utilized during this research to allow the participants to have more freedom in their response and for the researcher to capture potentially overlooked elements relevant to the research when collecting information for the answer of the research questions (see appendix 1), nevertheless, *Bell Et al. (2019)* suggest this type of interview as a favorable

mechanism that enables the emergence of new concepts which cannot be captured through the restrictiveness of structured interviews. The interviews were conducted in person and *in two* separate sessions, the first one to collect data relevant to the firm's inception and profile, and the second one, as a two part interview where the first part consisted of a vignette to contextualize the research scope and the second part where the the discussion around the firm's retention efforts was conducted.

Additionally, the same primary and secondary data collection methods were employed when collecting the data for the formulation of the business model as well as the historical review of the firm's inception and entrepreneurial process.

Furthermore, to complement gaps, and validate statements made by the participants during the exchanges, secondary data was leveraged from firm documents, online media outlets, and marketing material as a means of supplementing the data collected through primary methods.

| Primary Data Collection | | |
|---|---|---|
| **Subject** | **Data Collection Method** | **Time Spent (hours)** |
| ALPHA | Interviews | 3 |
| | Observations | 2 |
| BETA | Interviews | 2 |
| | Observations | 4 |
| **Secundary Data Collection** | | |
| **Subject** | **Data Collection Method** | **Time Spent (hours)** |
| ALPHA | Document Reviews | 6 |
| | Media Outlets Review | 3 |
| BETA | Document Reviews | 8 |
| | Media Outlets Review | 1.5 |

| | |
|---|---|
| **Total Hours** | 29.5 |

*Table 2.0 Data collection time table*

## 4.6 Analysis Method

*Eisenhardt (1989),* suggests using within-case analysis as a suitable method for understanding unique features of individual cases in depth. This approach, as the authors suggest, allows the researcher to develop a comprehensive understanding of each case as a standalone entity before moving to generalize patterns across cases. Furthermore, when dealing with complex or rich data, within-case analysis also helps the researcher manage and organize this data effectively. It enables the researcher to become closely familiar with each case, which facilitates the identification of unique patterns and themes that might not be evident when comparing cases prematurely. Nevertheless, for early stages of research, such as this one, within-case analysis is

recommended, more so, when little is known about a phenomenon and existing theories don't prove adequate. It allows researchers to explore and describe the intricacies of a case.

## 4.7 Research Quality

*Bell Et al. (2019)* propose three categories that drive quality in business research, as per the authors, these categories being 1) Reliability, 2) Replicability, and 3) Validity. Starting with reliability, this concerns the repeatability of the results of a study.

Corresponding to the *validity* of this study, the interviews conducted were supported by in-meeting notes as well as recordings to ensure no misinterpretation of answers occurred. Furthermore, answers provided by participants were validated when possible by comparing them with the observation notes or by comparing them to the firm's internal documents or media outlets to ensure accurate interpretation. In terms of *Internal validity,* the empirical findings of this research have been compared to existing theories and concepts. Further, for *external validity,* this study has been conducted in a small-scale sample of two subject firms as independent case studies, therefore, generalizability is limited, nevertheless, the ecological validity of the conceptual framework utilized to analyze the empirical findings was supported by including the thought analysis of a well-known technology manufacturer.

Regarding reliability, this research has been conducted under the utilization of a state-of-the-art theoretical and conceptual framework for which a systematic literature review was conducted to encapsulate and condense all theories relevant to provide credible and repeatable answers to the proposed research questions. Furthermore, the generalizability of these frameworks employed has been tested in not only a service context but also, a product-based context proving successful for the analysis of product or service encounters and the identification of switching barriers.

Regarding replicability, the researcher has proceeded to document the operational steps followed to sample, collect data and arrive at the results presented in this research as well as a detailed explanation of the theoretical consideration to arrive at such.

# 5. Empirical Findings

## 5.1 Case 1: Company ALPHA

All involved parties that participated as subjects in this research have been kept anonymous by the discretion of the researcher. Furthermore, the data collected for this case study was gathered through employing both primary and secondary data collection methods, primary data was collected by employing a mix of semi-structured interviews with a vignette with a member of the board of advisors, the CEO and CTO relating the firm's relationship-building process and retention strategies as well as, and unstructured observations of the daily operations and their Research & Development (R&D) facilities. The compilation and collection of the secondary data was conducted as a means of complementing and supporting the data obtained through the primary data collection efforts. Furthermore, data regarding growth has been kept at a superficial level at the discretion of the researcher.

### 5.1.1 Company ALPHA as an outcome of KIE

Founded in 2020 in Sweden, ALPHA operates today in the liquid and semi-liquids packaging and dispensing industry space as a Product-Engineering & Design Deep-Tech Startup that focuses in providing low-cost solutions to liquid and semi-liquid dispensing issues ranging from industrial manufacturing level down to consumer goods and aspiring to penetrate into the pharmaceutical-use space through their airless mono-design liquid-dispensing technologies as a platform for which the firm possesses a patent over the dispensing technologies utilized in the valves. The firm's main goal is to help reduce waste in packaging materials, materials used, and liquid & semi-liquid content across the industries and use cases they serve by leveraging their patented liquid dispensing technologies and packaging material expertise. Part of the waste prevention nature of the ALPHA's solution lies in the unique attribute of their dispensing technologies which prevents oxygen filtration inside the liquid container which extends the final product's shelf-life significantly, an attribute not present in current alternatives. Further, ALPHA has been awarded multiple prizes in the categories of Innovation, Climate & Sustainability Impact, and Waste-reducing Innovations due to the value-creation potential of their technologies and commercial approach.

#### *5.1.1a Inputs*

When it comes to Knowledge Sources of Inputs (KIS) (Figure 1.0) the CEO's past academic experience as a rigorous academic researcher with a Post-Doctorate in the Medical & Biomedical Engineering fields at one of the most prestigious universities in the region, as well as a track

record as a renowned researcher in nano-technologies, were catalyst contributions to the creation of the Intellectual Property Assets the firm leverages today as the platform over which the services the firm commercializes are provided, these services, are nevertheless, a product of the CTO's extensive track record in state-of-the-art research in both academic and commercial settings spanning from a Post Doctoral Research in the Medical, Neuro and Life Sciences fields, additionally, much of the business acumen came from a board member who supported the founding of the firm since its genesis who possess years of deeply embedded entrepreneurial experience in the Scandinavian region given his successful track record as a serial Entrepreneur. In terms of characteristics, all three founders, as well as the supporting board of advisors, have strong entrepreneurial motivations driven by the opportunity to make an impact and relevant contribution to the transition toward sustainability, furthermore, it can be argued that one major societal factor that enabled the successful genesis of the entrepreneurial opportunity for ***ALPHA*** was Sweden's strong innovation support system, robust academic innovation ecosystem, and drive towards sustainable solutions of global reach. To date, the firm has received multiple rounds of capital injections from private investors in the local as well as international contexts.

### *5.1.1b Development*

During the development stage of the entrepreneurial process, the firm underwent a 4 years Research & Development (R&D) period during which the technologies for their liquid dispensing valves which are the main commercial attractor the firm exploits today were explored and rigorously tested for product-market fit, usability, and novelty that enabled the commercial readiness of a far-reaching offering with high levels of adaptability to multiple contexts spanning from industrial mass manufacturing settings down to consumer good products aligning with the firms aim for the commercialization of an internationally acceptable offering that was not bounded by local market conditions. Through a strong board of advisors, the firm was able to access multiple network links that allowed for the further faster validation and applicability of the technologies developed during the R&D stage, furthermore, the firm sustained a 4 year period of explorative growth through which new knowledge bases were created.

### *5.1.1c Output*

On the output side of the entrepreneurial process of ALPHA, succeeding the R&D stage, the outputs involved the establishment of the legal business entity that operates today. However, due to the high novelty of their technologies, the firm filed for and obtained a patent for the technologies used in the dispensing valves. Furthermore, the firm has high levels of knowledge creation potential as currently, 80% of the full-time staff is qualified at a PHD level or higher in advanced engineering fields spanning from mechanical engineering, biotechnology, neuroscience, and other adjacent fields, as well as 100% of the firm's involved parties are

qualified to at least a Bachelor's degree level. Nevertheless, in terms of growth performance data, the firm displays today a positive growth trend in terms of revenue, market traction, and value creation in the categories of sustained innovation, environmental value, and the creation of new knowledge assets.

### 5.1.2 The business model

*Osterwalder and Pigneur (2010)* describe a firm's business model as the strategic architecture that enables firms to create, deliver, and capture value. *Teece (2010)* also supports this view by arguing that business models involve not just the design and structure of business operations, but also the mechanisms to protect and enhance competitive advantages. Furthermore, *Osterwalder and Pigneur (2010)* present the *"Business Model Canvas"* as a visual tool that outlines this architecture across nine key components, simplifying the complex interactions within a business's operations. Therefore, for the sake of easier and more visual comprehension of the value creation process and business dynamics ALPHA employs in their daily business operations, the researcher proceeds to provide a condensed visualization of the firm's business model through a Business Model Canvas *(Figure 5.0)* for the further exploration of the firm during the within-case analysis part of their case.

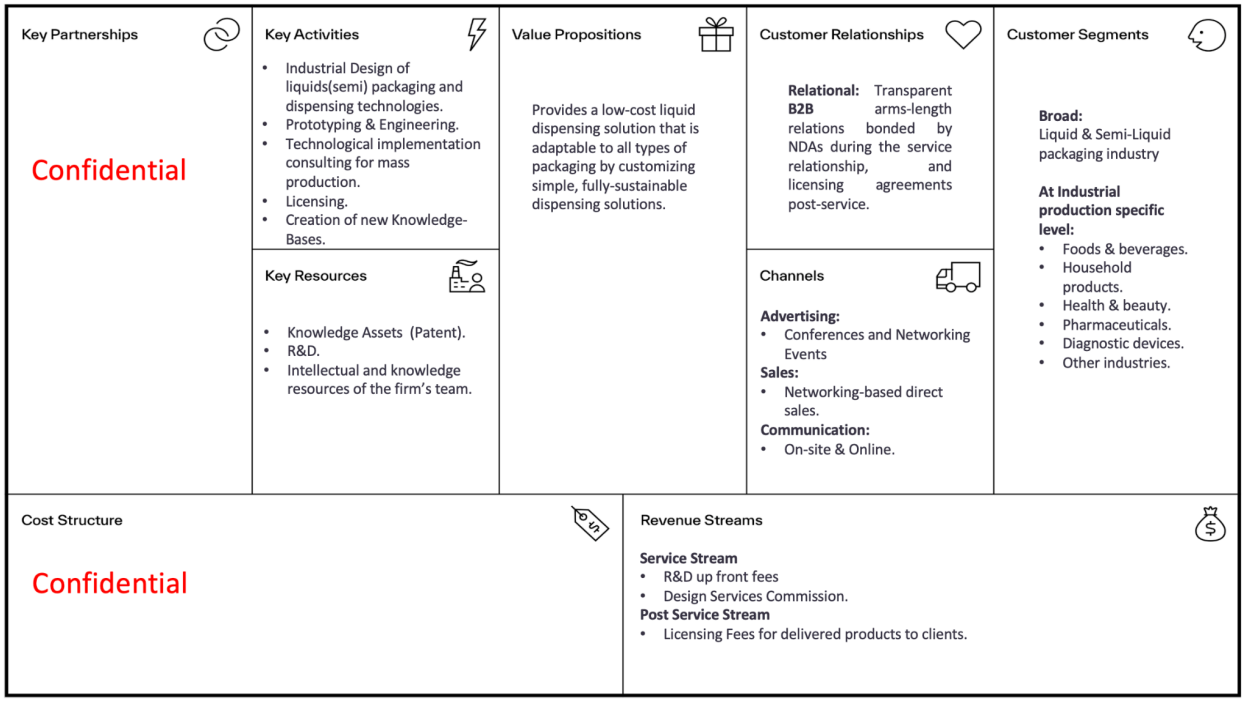


*Figure 5.0 ALPHA Business Model represented in a Business Model Canvas (Osterwalder & Pigneur, 2010)*

### 5.1.3 Relationship Management Dynamics of ALPHA

While it is understood that they provide services with a Business-to-Business (B2B) market approach and that the firm's target is to serve mainly large and international manufacturers in the industries where areas of application for its technologies exist *(see Figure 5.0, customer segments section)* by in simplified terms "designing and implementing both the container and the dispensing method and technology" for the liquids and semi-liquids their client firms produce and commercialize, and that the firm develops arms-length relationships, meaning, that the level of interaction between the parties is both deep and embedded, it is therefore important to highlight that this level of involvement in B2B services requires back-and-forth interactions in between both firms and it thus imperative to make the distinction of what relationship type is present in ALPHA's business model.

To answer the latest, the commercial exchanges the firm holds today can be divided into two phases as per their business model, during phase one, the firm engages in a purely per-project service-based dynamic where the solutions are designed in bilateral collaboration with their clients, the rendering of these services they provide, requires the firm to circumvent and adapt to the client's technological standards, product characteristics, quality requirements, and other complexities involved in appropriately adjusting the final solution for mass-production by the client firm, this high level of customization is a feature withheld with all their current clients as well as the way they seek to engage with future clients as per conversations with both the CEO and CTO (and stated in the firm's communication channels such as websites and fliers). Nevertheless, given the iterative nature of the engineering services they provide, these relationships are held for prolonged periods until the solutions are ready for integration and implementation for which the firm also provides counseling during the second stage.

Further, after stage one, which implies the culmination of the service exchanges based on design and a transition towards the integration and implementation of the final solution, the final design becomes the Intellectual property of the service provider and the client firm licenses it from ALPHA for mass-production and commercialization, this relationship transition can therefore be described as moving to a *"transactional"* one, as it implies more efficient, and standardized value exchanges with a lower level of interaction and minor room for customization from that point forward, however, that is if and when all the agreed-upon specifications have been met during phase one. Furthermore, given phase two's dependency over the outcome of phase one, and being that it is during phase one that the locus of value delivery upon which phase two transacts is created, and lastly, that the firm as of the time the researcher had interactions with them, had not transitioned any of its clients over to phase two, the focus of the researcher's interactions with ALPHA were kept over the development and retention strategies pertaining phase one of the firm's value creation process.

### 5.1.4 The Client's Journey through the Firm's Relationship Management and Retention Strategy

By conversations with multiple members of the firm, it was mentioned their retention strategy lies embedded in the way the firm conducts business, from the selection of the very clients the firm selects to engage with, the bonding tools they utilize to formalize their relationships, to the communication style and value-added the firm provides during its engagements with their clients. Nevertheless, in an interview with the CEO**,** they placed strong emphasis on the fact that their firm's retention strategy contemplates elements beyond just the clients' experience, as it includes the selective adoption of clients.

Furthermore, when it comes to how ALPHA develops and maintains its relationships with clients, this can be described from the perspective of its clients' journey as the firm employs a systematic approach to how it aims to create, develop, and possibly maintain its established relationships.

At ALPHA the exploration stage consists of leveraging media outlets like LinkedIn and their website, however the firm's main strategy for attracting new prospects is attending mainly conferences, networking events, and innovation conventions where the participants involved in the prospecting and selling process can communicate directly with potential clients in a more direct exchange, the reason behind this as per the CTO, is that these arenas put potential clients who already have an interest in similar technologies or solutions together and allow for a personal level of interaction which increases the probabilities of fruitful exchanges. During an interview however, it was acknowledged by the CTO how hard it is for the firm to allocate one successful sale, as the exploration stage is extensive and with low levels of success given the novelty and complexity of their technologies as well as the type of clients they seek to serve have slower and more rigid procurement processes as well as their deep involvement with legacy technologies, backed back a statement made by the CEO where they stated: *"Startups are sometimes not in these firm's vocabulary, for them, it is very hard to understand the value of what firms like ours bring, which makes selling to them harder"*.

However, once a successful match is made with a potential client, both firms engage in non-disclosure agreements to more openly and deeply address the specificities of both the client's needs and the technologies' more vital specifications. It is during this stage that both firms discuss technical requirements, challenges, prices, quality standards, and other expectations fundamental for both firms to be willing and able to engage in phase one of ALPHA's value creation process. One important mention made by the three of the executives is that ALPHA and their clients, only move forward with Phase One once Trust has been established between the parties, and as stated by the CEO, the firm seeks to only engage with clients that share their core values as for them it is important to have that alignment for the rest of the relationship to

progress more transparently, as well as it allows to build stronger bonds between the parties as there is a sense of shared goals.

With these conditions having been met, both parties engage in contractual agreements that settle and bond the responsibilities of all parties for the duration of phase one and set the fundamental element for potentially phase two as the firm's proprietary technologies are offered as a technological platform for multiple solutions and use cases. It is also during this stage that both firms sign a Non-Disclosure Agreement.

Furthermore, another element present in the firm's services, is the environmental footprint reduction their final solutions are strongly characterized for, as their designs are focused on achieving designing employing 100% biodegradable materials which is strongly tied to the firm's knowledge assets, in the firm's specific context this is leveraged by the firm as a competitive advantage, furthermore, this element as part of the firm's strategy appeals to the strong societal pressures towards a reduction in emissions of consumer goods, which is also integrated in the firms marketing material as part of their value proposition.

During the service delivery of phase one, both firms hold consistent interactions for the successful delivery of the agreed terms of their contractual bond. Nevertheless, during an interview with the CEO, it was mentioned that while this stage is already protected by contractual agreements that specify all expectations from and by all parties, it is during this stage the firm seeks to deliver additional value by *"Going beyond an extra mile"*, as they seek to not just limit their exchanges to the boundaries of a contractual agreement and give them a level of treatment competitors can't, this entails providing value beyond the stipulated parameters in their contracts, which the firm believes helps strengthen the bonds established between the parties. Furthermore, the CEO also stated that the contracts protect the relationship as certain clauses prevent the invasive analysis of certain elements of their dispensing technologies, this serves as a means of protection for the service provider as in certain cases not all of the final design would be suitable for intellectual property protection from ALPHA side, nevertheless, another attribute the firm intends to use in their favor is the speed of integration and implementation of their solution in their clients' supply chain. This latest, however, is specific to phase two, as at the concluding stages of phase one, the buying firm makes the final decision for the adoption and implementation of the solutions created in phase one.

By phase two, if the adoption of the designed solutions is made by the buyer side, both firms enter a new relationship, where the technological solutions are licensed to the buying firm for mass production under specific agreements that bond both firms under a distinct set of covenants when compared to phase one, and with a more linear and basic level of interaction over the agreed solutions where the level of interaction is reduced.

In another point made by the executives in different instances, their retention strategies are severely tied to the level of agreement reached with their clients, with this meaning, that their strategies are generally fluid and based on the level of involvement reached with the client. For instance, while some of their clients would require multiple solutions, other clients might have less complex needs that can be addressed with lower levels of involvement between the parties.

## 5.2 Case 2: Company “BETA”

All involved parties that participated as subjects in this research have been kept anonymous at the discretion of the researcher. Furthermore, the data collected for this case study was gathered through employing both primary and secondary data collection methods, primary data was collected by employing a mix of semi-structured interviews with the CEO relating the firm relationship building process and retention strategies as well as, and unstructured observations of the daily operations including in their headquarters. The compilation and collection of the secondary data was conducted as a means of complementing and supporting the data obtained through the primary data collection efforts. Furthermore, sensitive data regarding partnerships or cost structure have been kept confidential.

### 5.2.1 BETA as an outcome of KIE

Founded in Sweden in the year 2022, BETA as a product of the founders’ presence in the fishing and waste processing industries, is a seed-funded startup that operates within the seafood industry as a B2B Research & Development services firm that seeks to optimize the market exploitation of side-stream (waste) products from the fishing industry. The firm’s main goal is to eliminate waste in the food industry by converting it into consumables for human and non-human purposes as well as the production of novel foods and biomaterials. This goal, the firm aims to achieve by innovating in the way the industry waste is processed by employing a mix of technologies that enable the production of processed waste in a powder or flake form which allows these food by-products to be conserved for future usages. Part of the firms’ innovative output is through its services, as their value proposition to their clients involves conducting a holistic research process from content analysis of the processed streams to conducting market research and due diligence for the commercialization of the processed streams in industrial volumes. Within this service, the firm captures, transforms, analyses, and commercializes the by-products from the food industry and engages in a shared-revenue agreement with its clients once the commercialization stage has been reached. The processing technologies the firm employs are patented technologies in the milling process which add value to the final product through its drying and milling process which allows for above 95% preservation of all nutrients and bio adaptability properties of the processed food waste for future usage (extraction, conversion, or consumption).

#### *5.2.1a Input*

The sources of knowledge inputs for BETA stem from the founders' extensive entrepreneurial experiences, particularly in the Scandinavian market. Founder A has over 40 years of experience as a serial entrepreneur. Through these ventures, Founder A has been exposed to the global value chain of waste reprocessing, acquiring both codified and tacit knowledge of industry dynamics.

This includes specific insights into technologies used for processing solid waste from the tire production industry, which plays a significant role in the firm's current technological and market knowledge.

Founder B, on the other hand, brings extensive experience from the Swedish fishing industry, having held roles ranging from export commercialization to executive positions within some of the largest producers in the country. The combination of these diverse backgrounds enabled the founders to identify unique opportunities, leveraging their inclination to invest in emerging innovations within traditional industries.

BETA also accessed private investor financing during a seed round of capital raising, which followed support from academic institutions in the ideation and market validation processes. The firm has consistently interacted with these institutions to tap into technical knowledge related to biochemistry and mechanical engineering, further expanding the firm’s sources of knowledge-inputs. Additionally, a strong ecosystem-level interest in preventing waste from the food industry motivated the firm's genesis. This consistent collaboration and knowledge exchange with academic institutions have been pivotal in shaping BETA's approach to waste reprocessing.

### *5.2.1b Development*

The development of BETA involved during the earlier stage, the involvement of both founders as they leveraged their networks for the validation of their business assumptions regarding the usability of the technologies for the purpose of waste reprocessing, which involved a period of one year of exploration of the fit between waste stream and the firm’s technological capabilities. BETA however, consisted as well of the employment of graduates from academia in the fields of innovation management, biosciences and  of Furthermore, their network also allowed for the acquisition of the technologies the firm leverages today, as well as to fill in the gaps of knowledge in terms of industry-specific technicalities by employing a board of advisors who’s backgrounds extend around the adjacent industries such as novel foods development, mass food retail and commercial fishery processing. The international potential of BETA lies in its ability to process food waste across all market stages of the food lifecycle (processing, retail and consumption).

### *5.2.1.3b Output*

The entrepreneurial process of BETA culminated in the formation of a legal entity, marking the start of its commercial operations. Today, the firm operates with a team of four who manage daily operations. BETA also benefits from a board of advisors comprising three members, one of

whom holds a PhD in biomaterials. Through unique access to technologies, the firm leverages patented technologies for waste processing which enable the value creation process the firm leverages today.

Additionally, BETA maintains a high level of interaction with the academic ecosystem in its operating region, which further enhances its capabilities for knowledge creation as part of the firm's core operations involve a high degree of Research and Development (R&D) intensity.

### 5.2.2 The business model

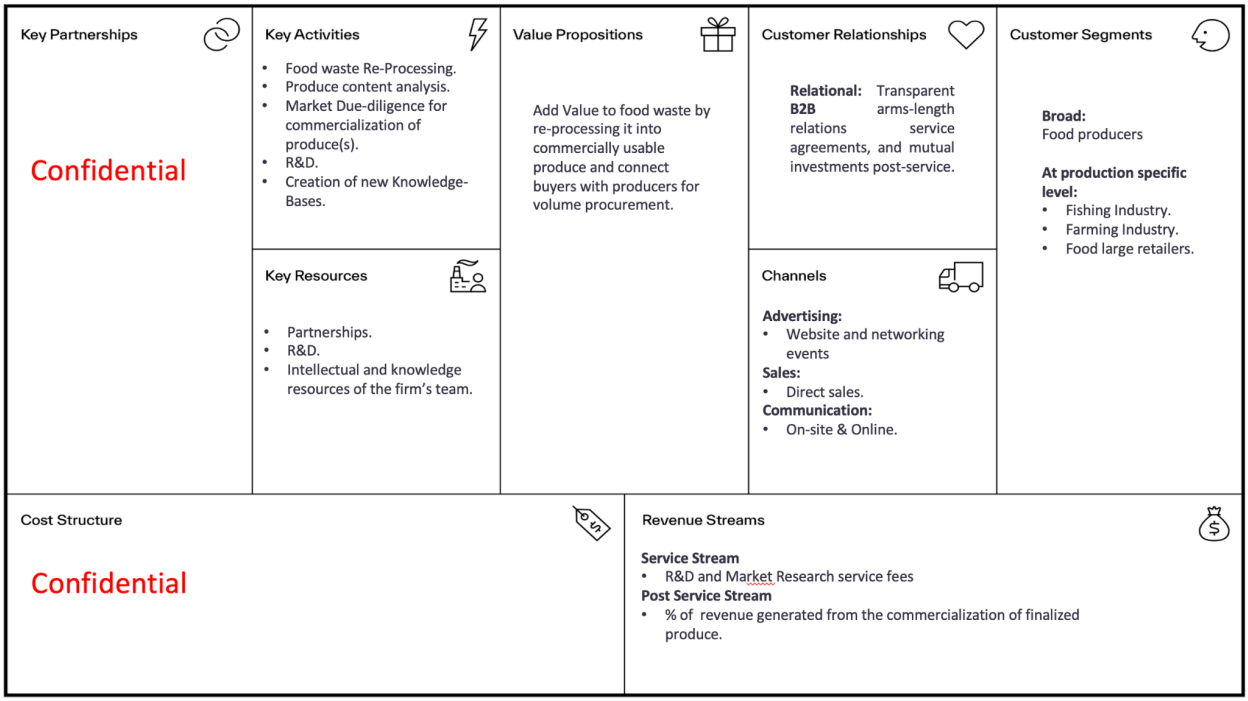


*Figure 6.0 BETA Business Model represented in a Business Model Canvas (Osterwalder & Pigneur, 2010)*

### 5.2.3 Relationship Management Dynamics of BETA

As BETA operates with a B2B market approach targeting the large food producers and processors as well as retailers food industry, their services are a solution to the food waste that is in three stages of the food lifecycle, beginning with the production, the firm aims to capture all possible waste generated by the mortality of the stock (animals that die or vegetables that decay during the production of stock), the second stage is the processing stage where the stock is processed for packaging (elements are taken off the stock like bones and head in fish and leaves or stems in vegetables) and lastly is the retail stage when products are sold by retailers to the final consumer where waste occurs at shelf (fruits rotten, products expiring, etc).

The solution services are therefore designed around this context, where they can be divided into two phases, with phase one being the stage where samples of the waste streams are captured, processed, and analyzed for further market exploration for novel market usage or exploitation of established market opportunities, this phase involves the delivery of a report on the value potential of the processed streams which serves as the base point for the joint evaluation of the markets to be jointly explored or exploited by the firms, at this stage of phase one a juncture point is created as the buying firm can decide on moving forward towards *phase two.*

If the buying firm decides to move forward to *phase two*, the firms jointly invest and venture into the defined markets. During this phase, there is a contractual value shared between the parties; processes are implemented and integrated at the source point of the streams for them to be processed for market utilization.

### 5.2.4 The Client's journey through the firm's relationship management and retention strategy

From meetings with the CEO, the retention strategy of BETA was described as being in part a product of their venture design process which resulted in the current business model which in and of itself was designed for long-term service exchanges. According to the CEO, a good practice for early ventures is to design a business model that allows the firm to have a higher potential for client retention, which in their case, is the convenience their business model creates for the waste stream owners by having an external party explore the potential market opportunities for their processed waste.

Further, both founders expressed during separate sessions their strong interest in engaging in longer-lasting relationships to ensure the fair distribution of the value their services create. In regards to the way the firm "creates" relationships during the awareness stage, when asked about the way they acquired clients, the firm revealed that at this stage they mainly leverage connections made during one of the founder's involvements in the food industry to acquire clients, which as it was proposed, supports the building of trust given the positive past experiences between the parties, which they attribute to being the main pillar they aim to establish to guarantee retention of their clients as moving into phase two is a substantial step in their relationships, nevertheless, the firm also seeks to attract new clients within the food industry by networking for new prospects and based on referrals from one client to another, this latest, they expressed to be more beneficial as in the cultural context in which they operate, a referral is more valuable.

When dealing with prospects, the firm aims to communicate the potential value of the services it provides as well as the potential risks to avoid damages to the pre-existing trust, as per the CEO *"Damage to trust is more expensive than anything else in the types of business we conduct"*. When both parties agree to engage in the first phase of the service exchange, an undisclosed type of agreement is engaged by both parties where limitations, expectations, and scope are defined for the unfolding of the first phase of service and thus completing the establishment of the service relationship.

During the *Development* stage of *phase one* where the firm performs the waste transformation, analysis, market research, and commercialization plan, it was mentioned by the CEO the importance of nurturing the existing relationship with the client by creating consistent communication and rapport at a personal level which benefits the strength of the relationship as during this stage, it not possible commit to any other larger retention mechanisms as during this stage the deliverables can vary vastly in results due a combination of factors such as the nature of the waste stream, the currently available market applications and potential for novel market applications.

Nevertheless, once the research stage is concluded, the results are reviewed between both firms to deliberate and negotiate the potential to enter into *phase two.* During the negotiation stage, the assessment of value distribution among the parties is discussed, and when an agreement has been reached, the firms venture into a joint investment in setting up the infrastructure for full-scale waste processing and commercialization based on the defined or potential market applications. During the establishment stage of phase two, through contractual settlements both firms arrange a shared revenue agreement for the market exploitation of the processed streams. BETA's strategy for this phase consists of the adoption of a revenue-sharing model given it allows for the value created by the commercial exploitation of the processed streams to be more fairly distributed towards the stream owners when compared to competitors or potential substitute services, which as an industry practice, would just capture the streams in bulk and transfer less of the value created to the stream owners, which the firm sees as an advantage to increase retention.

An important element of BETA's client retention strategy is the fact that as it was mentioned by the CEO, is subject to change depending on the evolution of the firm's business model, as an early-stage firm they said, the possibilities of the business model not working or requiring pivotal changes are relatively high when compared to older more established firms.

# 6. Analysis

## 6.1 Within-Case Analysis Company ALPHA

Here follows a within-case analysis of ALPHA where the theories selected in the theoretical framework are compared against the firm's practices to identify how these two correlate.

### 6.1.1 Relationship type(s)

In the case of ALPHA, the firm delivers value to their clients through two phases within their relationships, therefore, both stages are subject to type differentiation, thus, it can be concluded the firm's relationship typology consists of both types.

*Sheth & Parvatiyar (1995)* and *Grönroos (1994)* argue for highly customized, deeply embedded relationships with a high degree of collaboration as *relational* type of exchanges, furthermore, in the case of ALPHA, *phase one* of their value creation process can be described as a being of a *relational* type, as during this phase, the firm holds a consistent and high level of interaction with multiple parties of the client firm, in addition, the solutions designed during this stage are tailored to the specific needs of the client and the specific use-case(s) the client's request, which involves high degrees of iteration in the design process requiring the acquisition of a deep understanding of the client firm's technologies, product characteristics, processes, and procedures, as consequence, the duration of the engagement is of longer lengths given the high degree of technicality involved in designing the solutions.

Nevertheless, *Dwyer Et al. (1987)* argue for relationships with standardized and minimal interactions and with a strong focus on efficiency to be of the *transactional* type, in ALPHA's case, phase two can be deemed as a *transactional* type of relationship, as during this stage, the solutions have adopted their final design form and it's up to be buying firm to engage in the licensing of the finalized dispensing solutions for mass production which would entail the establishment of a new relationship with ALPHA**.**

### 6.1.2 Identified switching barriers within ALPHA retention strategy

From ALPHA's general retention strategy, the presence of more than one type of switching barrier can be argued for as the firm employs a mix of behaviors and mechanisms during the length of its relationships.

Firstly, *Gao, Et al. (2023)* posit that *relational* switching barriers are created through promoting relational-focused interactions that evoke positive affective feelings in the buyer, starting from

*phase one,* ALPHA employs a combination of behaviors to appeal to their buyers, starting with an intentional values alignment at a firm level and the firm's strong emphasis on only moving forward with establishing a relationship with the prospects once "trust" has been achieved, these two can be seen as strong contributing factors towards the creation of affective bonds, another way the firm aims to foster these bonds is through what the CEO described as *"going beyond the extra mile"* and give their clients a unique and satisfactory experience as they argue these types of experience can hardly be found among potential competitors. Nevertheless, ALPHA aims to sustain said level of trust and affective behavior even when transitioning to phase two which requires less involvement from both parties.

Subsequently, the firm leverages legal instruments to establish *contractual* switching barriers by not only formally establishing their service relationships through binding contracts that include responsibilities from the buyer side as well, but also, through Non-Disclosure agreements which help protect some of the knowledge that cannot be captured through design rights or patents and that is crucial for the value creation process during the service relationship *(Chuang and Liu, 2017).* Furthermore, the presence of legal agreements is prevalent during *phase two,* as the final design of the products is servitized to the buying firm through licensing agreements as a consequence of the firm holding the design rights and patent of the dispensing technology.

Lastly, technological switching barriers are present in the firm's retention strategy, as the adoption of ALPHA's dispensing solutions has proven effects in cost and waste reduction for both the buying firm as well as the end consumer of the dispensing units, this value transfer dynamic is something the firm aims to leverage as a means of retention mechanism as these are unique features intrinsic to its knowledge assets that enable such value transfer throughout the value chain of their client firms, consequently, for ALPHA's client firms to sustain the value-adding features for their end consumers, sustained exchanges with ALPHA are required.

### 6.1.3 Switching barriers and their interaction with the relationship's stages

*Mayer and Floriani (2022)* argue for the importance of event timing in a firm's retention strategy, as per the authors, effective strategies contemplate time as a main factor by not only it in a sense of duration, but also, in the sense of at which point in time events occur in a strategy. Furthermore, in the case of ALPHA's client journey, the interaction between the firm's intended behaviors to establish switching barriers and the progression of the stages in their service relationships can be described as follows:

#### *6.1.3a* ***Phase one***

**Relational barriers:** *Gerpott Et al. (2001)* posit that retention is referred to start at the very first contact a consumer has with an organization and develops through the span of the relationship held with the provider. In ALPHA's case, the behaviors adopted by the firm to establish relational barriers are intrinsic part of the firm's client selection process as the firm aims to mutually appeal to the shared values around sustainability and environmental impact to proceed with potential prospects, furthermore, the firm's preference to engage only in service relationships when mutual trust has been achieved marks a decisive element during the establishment stage, in addition to this, during this stage, the firm aims to sustain the built trust and sense of additional emotional satisfaction by providing value beyond the agreed contractual terms during the development stage of both phases of the relationship as means of preventing clients seeking for more holistic services in competitors or substitute service. Therefore, it can be concluded that the *relational* switching barriers the firm seeks to establish with its clients span from the *awareness* stage of *phase one* through the *development* stage of *phase two* thus denoting a transferable effect from one phase to another.

**Contractual barriers:** During the client's journey in *phase one,* it can be observed the contractual barriers the firm aims to establish through the signing of non-disclosure agreements and binding contracts enforceable during the length of *phase one,* occur during the *establishment* stage and have a lasting effect throughout the *development* stage of phase one until the conditional juncture point of growth through transitioning towards *phase two* occurs.

### *6.1.3b* ***Phase two***

**Relational barriers:** Given it can be concluded the firm aims to establish relational barriers since the *awareness* stage of *phase one* and that the firm seeks to sustain the attributing behaviors throughout *phase two* a transferability effect of this barrier can be inferred from the continuity of the relationship between the parties since the first contact during phase one into and throughout phase two *(Gerpott Et al., 2001).*

**Contractual barriers:** The transition from phase one into phase two involves migrating into a new type of agreement where the designed solutions are licensed to the buying party for mass production once it is deemed to have successfully fulfilled the specifications and requirements of the agreement established in phase one, phase two is conditional to both parties reaching and engaging the agreement for licensing the final solution, therefore, the contractual switching barriers emerged during the *establishment* stage, *Rackham (1988)* and are prevalent throughout the *development* stage of phase two as both firms sustain their relationship through the servitization of the dispensing solution.

**Technological Barriers:** As *phase two* is initiated by the parties signing the licensing agreement that binds both firms, the buying firm adopts and implements the final solution in their mass production as a subsequent step. Nevertheless, given the ownership of the knowledge assets still belongs to ALPHA (patent and design rights) throughout the longevity of the relationship between the firms until termination, this switching barrier can be attributed to emerging during the *development* stage.

The within-case analysis of **ALPHA** reveals a strategic approach to client retention, emphasizing long-term value in client relationships and the implementation of various switching barriers to mitigate potential defections. ALPHA employs a blend of *relational* and *transactional* relationship types, with phase one involving customized, high-interaction engagements and phase two focusing on standardized, efficient exchanges. Switching barriers are evident through 1) relational, 2) contractual, and 3) technological mechanisms, strategically timed to span different phases of the client journey. This comprehensive approach aligns with the employed theories of relationship marketing and underscores the importance of trust, legal protections, and proprietary technologies in sustaining client relationships.

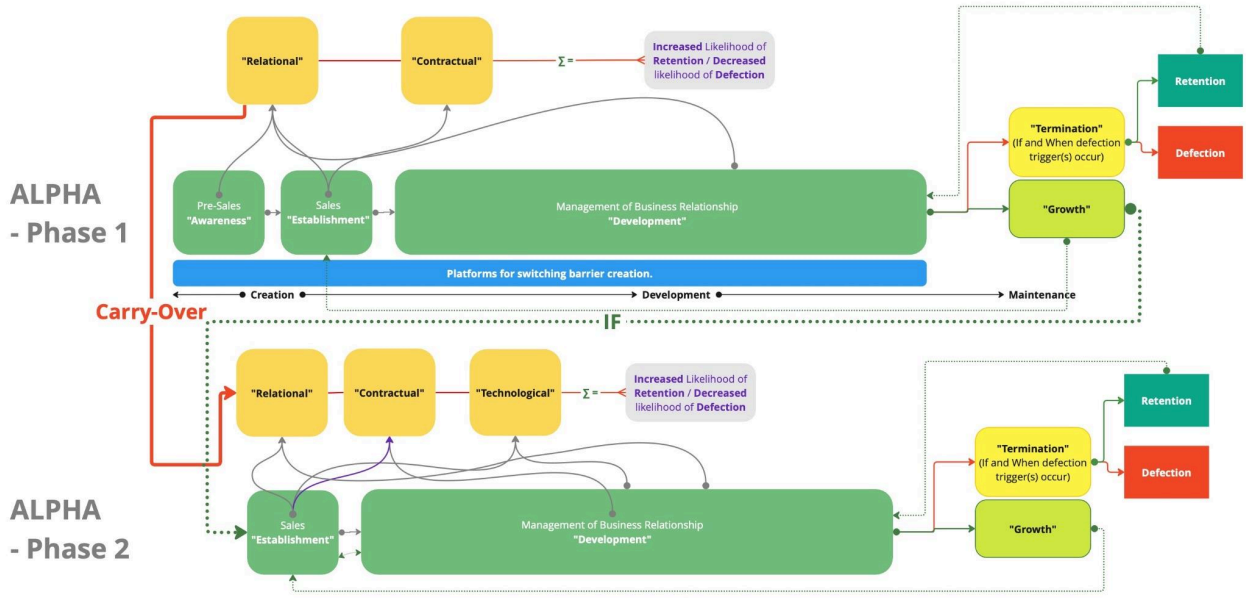


***Figure 7.0:*** *ALPHA's Identified Switching barriers and their evolution through the service relationship stages.*

## 6.2 Within-Case Analysis Company BETA

Here follows a within-case analysis of BETA where the theories selected in the theoretical framework are compared against the firm's practices to identify how they correlate with each other.

### 6.2.1 BETA's Relationship type(s)

In the case of BETA, the firm delivers value to its clients through two phases, these two can be differentiated from one another in terms of their relationship typology as follows. *Phase One* of BETA's services exhibits both *transactional* and *relational* elements. The initial engagement is transactional due to its short-term nature and minimal integration, but it sets the stage for a potential relational approach if both parties decide to proceed to phase two. *Dwyer Et al. (1987)* posit relationships with standardized and minimal interactions and with a strong focus on efficiency to be *transactional* when compared with more integrative

In the case of *Phase Two* however**,** it is predominantly *relational*, as it focuses on long-term, collaborative efforts, shared investments, and mutual benefits for both parties, as a consequence of the aim of market exploitation of the processed streams *(Sheth & Parvatiyar, 1995 and Grönroos Et. al, 1994)*.

### 6.2.2 Identified switching barriers within BETA's retention strategy

BETA's overall client journey and general retention strategy exhibit the presence of more than one type of switching barrier during the lifespan of their service encounters as the firm employs a combination of behaviors and mechanisms during the length of both service phases. Furthermore, the switching barriers identified in their service exchanges can be classified as follows.

Firstly, BETA employs a combination of behaviors to appeal to their clients beyond mere service delivery. The firm aims to establish a stronger relationship by building rapport and promoting a significantly greater bond through personal and transparent communication, making clients feel valued and important to the firm. From this collection of behaviors, BETA seeks to establish *relational switching* barriers. According to *Gao Et al., (2023)* and *Sharma & Patterson (2000)* relational barriers are developed through emotional connections such as rapport which can create a sense of unwillines for the clients to defect. Nevertheless, According to the CEO, the firm cannot employ additional mechanisms during phase one; therefore, they aim to evoke a sense of unwillingness to leave from the clients they sustain service relationships with.

Moreover, as both firms jointly venture into market exploitation of the processed waste streams under a legal agreement that binds them in terms of benefits and responsibilities during BETA's value delivery process, *contractual barriers* can be identified as part of BETA's retention strategy. According to *Burnham Et al. (2003),* these barriers are formed through legal constraints that create difficulties for clients to exit service engagements due to contractual obligations. In the case of BETA**,** as the firms acquire assets and establish their collaboration at a more integrative level by involving legally binding mechanisms, these contractual barriers become increasingly significant due to the possible procedural hurdles involved in the legal detachment from the signed agreements in case of relationship termination or defection.

Additionally, the shared-revenue model the firm employs as an integral part of the services it provides to its clients to build retention, implies there exist financial losses on the buying firm's side in case of defection, according to BETA the revenue passed to the waste stream owners is not a practice present among current firms who could be potential competitors, Burnham Et al. (2003) argue for financial barriers being factors of retention when a buying firm could potentially suffer a benefit loss costs and/or monetary loss costs when defecting from a service relationship with its provider, therefore, in this context, BETA's retention strategy evidences the presence of financial barriers within its overall retention strategy, as well as a consequence of its current business model *(Osterwalder & Pigneur, 2010).*

### 6.2.3 Switching barriers and their interaction with the relationship's stages

Event timing in a firm's retention strategy as per *Mayer and Floriani (2022)* is one of the important factors in effective strategy, as they contemplate time as a main factor by not only it in a sense of duration, but also, in the sense of at which point in time events occur to maximize for retention. Furthermore, in BETA's client journey case, the interaction between the firm's intended behaviors to establish switching barriers and the progression of the stages in their service relationships can be described as divided into two parts as per the results of its within-case analysis as follows:

#### *6.2.3a Phase one*

**Relational barriers:** From BETA's interactions with its prospects, who by the time the firms have an approach towards each other have a pre-existing level of trust, the relational barriers identified within the firm's relationship management process can be attributed to come into emergence since the *awareness* stage, as high levels of trust is an asset the firm leverages in favor of further developing rapport and a more strongly bonded relationship with its clients. Furthermore, the behaviors BETA adopts to establish said relational barriers are confirmed to be sustained throughout the stages of phase one as per the CEO. In light of the latest, the *relational*

*barriers* the firm aims to establish can be described as initiated during the *awareness* stage and further developing through the *establishment* and *development* stages in the service relationships BETA manages *(Gerpott Et al., 2001)***.**

### *6.2.3b Phase two*

**Relational barriers:** The firm's intentional efforts to foster behaviors that enhance the development of trust lead to the formation of relational barriers starting from the *awareness* stage of *phase one* of its services, nevertheless, these sustained efforts extend throughout the *development* stage of *phase two* as well. This deliberate nurturing of trust creates a seamless and enduring bond between the firm and its clients, allowing these relational barriers to persist and even strengthen as the relationship progresses. Consequently, a carry-over effect of these barriers can be inferred from the continuity and deepening of the relationship as it transitions from one service phase to the next *(Gerpott Et al., 2001).* This sustained engagement and commitment to maintaining a high level of trust and emotional connection, therefore implies the presence of this barrier throughout the entirety of the service relationship.

**Contractual Barriers:** At the onset of the *establishment* stage of *phase two*, both firms engage in negotiations to formulate a comprehensive revenue-sharing legal agreement. This process also involves the creation of a joint venture entity that legally binds the firms together, facilitating the collaborative efforts required for value creation and distribution. This joint venture is instrumental in capturing, transforming, and commercializing waste streams and enables the relationship to progress into the next stage of *phase two*, where it is evident that the contractual barriers established during the prior stage are not only instituted but also rigorously maintained and enforced through the "development" stage. These contractual barriers play a critical role in ensuring that both parties adhere to the agreed-upon terms and conditions, thereby promoting a stable and cooperative environment that supports the ongoing development and operational activities. Thus, the contractual framework set up during the *establishment* stage continues to underpin and regulate the interactions and responsibilities of the firms throughout the *development* stage of phase two.

**Financial Barriers:** In the second phase of their services, the firm strives to implement a revenue-sharing model designed to create financial barriers against client defection. This model is particularly novel within BETA's operational context, making it a unique and strategic approach. However, for the buying firm to realize financial gains, the commercialization of the process streams is essential, nevertheless, the financial rewards stemming from the continued relationship between the parties are contingent upon both firms actively participating in the joint venture and adhering to the revenue-sharing agreements. Consequently, financial gains begin to materialize during the development stage of phase two. It is during this stage that the firms have successfully established the necessary infrastructure and operational plans for market

exploitation, which are the primary revenue-generating factors of the services. Given these developments and the conditions required, it can be concluded that financial barriers are both established and realized during the *development* stage of *phase two*.

The within-case analysis of BETA demonstrates a strategic approach to client retention, emphasizing long-term value and the implementation of multiple switching barriers. BETA employs both transactional and relational elements in Phase One, transitioning to a predominantly relational approach in *Phase Two***.** Identified switching barriers include: 1) relational, established through trust-building behaviors from the "awareness" stage and sustained throughout both phases; 2) *contractual*, formed through revenue-sharing legal agreements and joint ventures, ensuring cooperation and stability; and 3) *financial*, created by the unique revenue-sharing model that incentivizes continued collaboration. This approach aligns with relationship marketing theories, highlighting trust, legal protections, and financial incentives as key to sustaining client relationships.

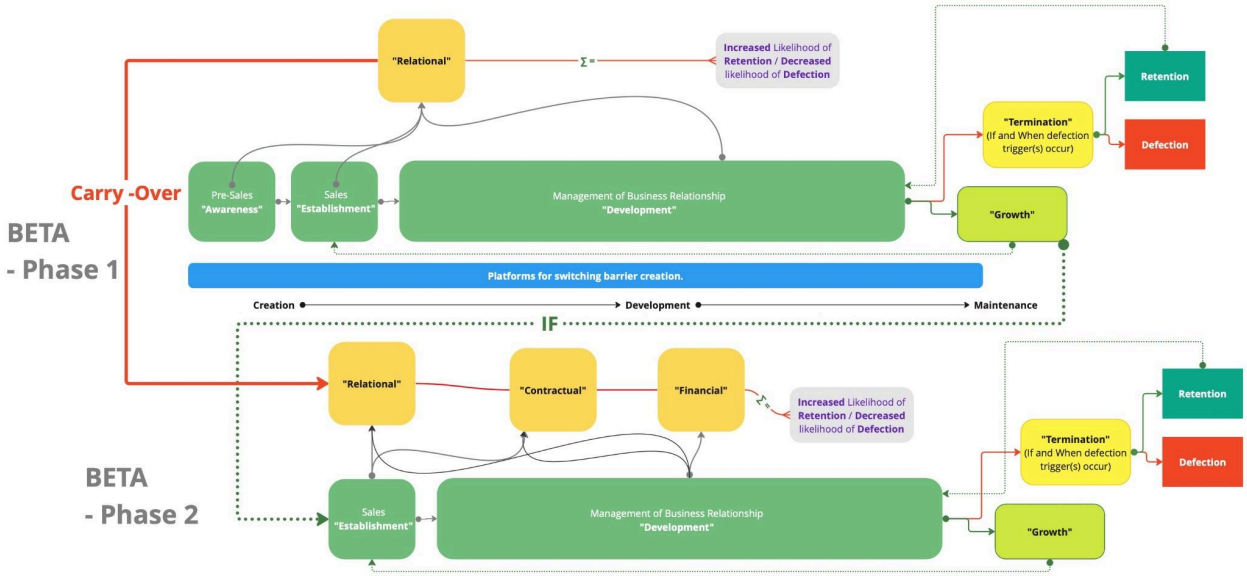


***Figure 8.0:*** *BETA's Identified Switching barriers and their evolution through the service relationship stages.*

## 6.3 Cross-case analysis

To compare the data gathered from the case of Company ALPHA and Company BETA to one another, a cross-case analysis is conducted. In said analysis, the similarities as well as the differences between the cases will be outlined. The conceptual framework will be used as a basis for structuring the comparative data.

### 6.3.1 Relationship type(s) within the firms: ALPHA vs. BETA

Regarding the relationship types that can be identified from the firms' client relationship management process, both firms evidence the employment of a combination of *transactional* and *relational* based on the level of interaction the firms hold with their clients through their service relationships, however, while both firms utilize a phased approach in the way their services deliver value, they differ in the integration and emphasis of these relationship types across their service delivery processes.

For instance, ALPHA's phase one is primarily characterized by a *relational* approach. This phase involves a high level of interaction and collaboration with the client. According to Sheth and Parvatiyar (1995), relational marketing focuses on continuity and deep client understanding. Regarding this, ALPHA embodies this by engaging extensively with multiple client parties to tailor solutions to specific needs. The iterative design process necessitates a deep understanding of the client's technologies, products, and processes, leading to prolonged engagement periods *(Grönroos Et al, 1994)*. BETA's phase one, however, exhibits a hybrid of transactional and relational elements. Initially, the engagement is transactional, characterized by its short-term nature and minimal integration, aligning with *Dwyer Et al.'s (1987)* definition of transactional relationships focused on efficiency and standardization. However, this phase also sets the groundwork for a potential relational approach, contingent on the progression to phase two. This initial interaction is less deeply embedded compared to ALPHA's approach but has the potential to evolve into a more integrative relationship if conditions are favorable.

Therefore, while ALPHA's initial phase is distinctly relational, emphasizing long-term collaboration and customization, BETA's first phase begins transactionally with the possibility of transitioning into a relational mode. ALPHA's deep initial engagement contrasts with BETA's more tentative, conditional approach. This difference highlights ALPHA's commitment to establishing strong, long-term relationships from the outset, whereas BETA adopts a more flexible strategy, allowing the relationship to evolve based on mutual interest and market potential.

In regards to the second phase, in the case of ALPHA, the relationship shifts to a transactional nature. Once the solution design is finalized, the client engages with ALPHA to license the

finalized products for mass production. This phase aligns with *Dwyer Et al.'s (1987)* characterization of transactional relationships, where interactions become standardized, efficiency-focused, and minimally integrated. The primary objective in this phase is cost-effectiveness and streamlined execution, with less emphasis on ongoing collaboration. Conversely, BETA's second phase is predominantly relational. This phase focuses on long-term, collaborative efforts and shared investments aimed at market exploitation of the processed waste streams *(Sheth & Parvatiyar, 1995; Grönroos Et al, 1994)*. The deep integration and mutual benefits in this phase reflect a strong commitment to maintaining and enhancing the client relationship over time, fostering loyalty and trust through continued engagement and shared success.

Therefore, in comparison, ALPHA's transition from a relational to a transactional approach contrasts sharply with BETA's evolution from a transactional to a relational approach in their second phase. ALPHA's strategy of initiating with a strong relational phase but concluding with a transactional phase indicates a shift in focus from collaboration to efficiency. In contrast, BETA's model, starting with a transactional approach and transitioning to a deeply relational phase, emphasizes long-term partnership and mutual benefit as the relationship progresses.

### 6.3.2 Switching Barriers in Client Retention Strategies: ALPHA vs. BETA

Understanding the similarities and differences in the types of switching barriers employed by Company ALPHA and Company BETA provides valuable insights into their client retention strategies. Both companies utilize a combination of behaviors and mechanisms to create these barriers, but they do so in ways that reflect their unique operational contexts and strategic priorities.

**Relational Switching Barriers:** Starting with ALPHA, the firm focuses on relational switching barriers through intentional values alignment and trust-building from the initial phase of client engagement. This is achieved by ensuring that trust is established before moving forward with any formal relationship, thereby fostering affective bonds *(Gao Et al., 2023)*. ALPHA's CEO emphasizes going "beyond the extra mile" to provide unique and satisfactory client experiences, making it difficult for competitors to replicate these positive affective feelings. Furthermore, in the case of BETA, similarly, the firm emphasizes relational switching barriers, however, this is by building rapport and promoting strong personal bonds through transparent communication. BETA seeks to make clients feel valued and important, to create a sense of unwillingness to leave *(Burnham Et al., 2003)*.

**Contractual Switching Barriers: ALPHA** establishes contractual barriers through legal instruments, including binding contracts and Non-Disclosure Agreements (NDAs), to protect critical knowledge and formalize responsibilities *(Chuang and Liu, 2017)*. These contracts and

NDAs are particularly important in phase two, where the final product design is licensed to the client, ensuring ongoing engagement through legal means. BETA on the other hand, also employs contractual barriers by involving clients in legally binding agreements that outline joint ventures and shared responsibilities during the value delivery process *(Burnham Et al., 2003)*. Nonetheless, the integration level increases with the acquisition of assets and deeper collaboration, making it difficult for clients to exit due to procedural hurdles and legal constraints.

**Financial Switching Barriers:** The shared-revenue model means that clients would face financial losses if they defect from the relationship, as the revenue passed to waste stream owners is unique to BETA's offerings *(Burnham Et al., 2003; Osterwalder & Pigneur, 2010)*. Through this financial dependency, the firm aims to strengthen client retention by linking their economic benefits directly to the ongoing relationship between the parties. Further, while the unique features of ALPHA's patented technologies that enable cost and waste reduction can be seen as an indirect financial incentive for clients thor clients to remain in the relationship, ensuring sustained exchanges to maintain these benefits ALPHA does not explicitly showcase signs of financial barriers as part of its retention strategy as no confirmation from the firm was received.

**Technological Switching Barriers: ALPHA** leverages its proprietary technologies as a significant switching barrier. The firm's patented dispensing solutions have proven effects on cost and waste reduction for both the buying firm and the end consumer, creating a unique value transfer dynamic. These patented technologies are crucial for the value-creation process, and their exclusive features are assets that can ensure clients remain dependent on ALPHA's solutions to sustain the value-adding features for their end consumers *(Chuang and Liu, 2017)*. Beta does not specifically highlight technological barriers in its retention strategy. Instead, their focus is more on relational, contractual, and financial barriers.

### 6.3.3 Interaction of switching barriers in the service lifecycle: ALPHA vs. BETA

From the results of the within-case analysis, it can be observed that both firms employ multiple switching barriers in their client retention strategies. Furthermore, it can also be observed how these barriers evolve with the progression of service relationship stages in accordance with *Mintzberg (1987), Mayer & Floriani (2022), and Warren (2008)*. Therefore, this analysis compares how these barriers manifest and transform across the different phases in the client relationships held by ALPHA and BETA.

### *6.3.3a Awareness Stage*

ALPHA

- **Relational Barriers:** ALPHA establishes relational barriers from the initial awareness stage of phase one by aligning values and emphasizing trust. The firm ensures that potential clients share similar sustainability values, fostering emotional bonds from the outset (Gao Et al., 2023).

BETA

- **Relational Barriers:** BETA also begins building relational barriers in the awareness stage of phase one. The firm promotes personal and transparent communication to build trust and rapport, making clients feel valued and emotionally connected (Gerpott Et al., 2001).

### *6.3.3b* Establishment Stage

ALPHA

- **Contractual Barriers:** During the establishment stage of phase one, ALPHA introduces NDAs and binding contracts that formalize the service relationship. These contracts include responsibilities and protect intellectual property, making it difficult for clients to exit the relationship without facing legal and financial repercussions *(Chuang & Liu, 2017).*
- **Relational Barriers:** ALPHA continues to build relational barriers by ensuring mutual trust and providing additional value beyond contractual terms.

BETA

- **Contractual Barriers:** BETA primarily establishes contractual barriers in the establishment stage of phase two. The firm engages in formulating comprehensive revenue-sharing legal agreements and creating joint ventures that legally bind the firms together, making defection procedurally complex *(Burnham Et al., 2003).*
- **Relational Barriers:** BETA sustains the relational barriers built in the awareness stage, further developing trust and rapport.

### *6.3.3c* Development Stage

ALPHA

- **Relational Barriers:** In the development stage of both phase one and phase two, ALPHA maintains high levels of trust and emotional satisfaction, ensuring clients continue to feel

valued. This seamless transition of relational barriers from one phase to another ensures long-term loyalty *(Gerpott Et al., 2001)*.

- **Contractual Barriers:** ALPHA leverages licensing agreements during phase two, reinforcing the legal and financial difficulties of switching providers *(Rackham, 1988)*.
- **Technological Barriers:** ALPHA's patented dispensing solutions create technological barriers. The dependencies on these technologies make switching costly and complex, further entrenching clients in the relationship *(Clemons, 1986)*.

BETA

- **Relational Barriers:** BETA's relational barriers continue through the development stage of phase two, sustained by the firm's ongoing efforts to nurture trust and emotional connections.
- **Contractual Barriers:** The contractual barriers established during the establishment stage are rigorously maintained and enforced in the development stage of phase two, ensuring both parties adhere to agreed terms and conditions.
- **Financial Barriers:** BETA's revenue-sharing model creates financial barriers in the development stage of phase two. Clients receive financial benefits from continued collaboration, making defection financially unattractive *(Burnham Et al., 2003)*.

# 7. Discussion and conclusion

## 7.1 Discussion

### **RQ1:** What kinds of switching barriers can be identified from a service-based KIE firm's general retention strategy?

The exploration of switching barriers within service-based Knowledge-Intensive Entrepreneurship (KIE) and their presence in the firms' client retention strategies reveals a multifaceted array of mechanisms designed to enhance client retention. The identified barriers from the analysis portion of this study evidenced barriers that can be categorized as per the available literature into the relational, financial, contractual, and technological types of switching barriers, with each contextually emerging and contributing uniquely to the overall retention strategy of the subject firms.

Firstly, *Relational Barriers* are identified as a common switching barrier exploited by the sample firms, these barriers, as described by *Gao Et al. (2023)*, are emotional and psychological factors that deter clients from switching providers by a created unwillingness from the clients' side to defect. These barriers are built through strong relationships, trust, and emotional connections between the client and the provider, both companies in this instance prioritize relational barriers, aiming to evoke positive affective feelings and loyalty. However, ALPHA displays a more structured approach by aligning values and trust before formal engagement, whereas BETA focuses more on personal communication and rapport without additional mechanisms in the early stages.

Further, *Contractual Barriers* are also identified as a common mechanism leveraged among the studied subjects, Chuang and Liu (2017) emphasize that legal constraints can effectively reduce customer defection in the short term but may foster negative sentiments if perceived as coercive or vastly constrictive. However, in the cases of the studied subjects, these barriers are leveraged among the subjects not as direct punitive mechanisms as presented by Chang and Liu (2017), as in the case of ALPHA, the contractual barriers allow for the firm to preserve certain knowledge assets critical to its competitive positioning in their operational context as well as to maximize the value capture from its technologies through intellectual property rights and other means of knowledge asset protection. Further, In the case of BETA, the establishment of contracts enables the firm to transfer value onto its clients as well as to jointly invest in assets and therefore venture into market exploitation efforts.

Moreover, the presence of *financial barriers* is identified within one of the observed firms, according to *Burnham Et al. (2003),* these types of barriers involve costs incurred by clients if they choose to switch providers. These costs may include direct financial penalties, such as

cancellation fees, or indirect costs, such as the loss of accumulated benefits, discounts, as well as benefit loss costs and/or monetary loss costs. In the case of BETA, the firm it is observed that the firm integrates financial barriers as a core component of its strategy to retain clients by leveraging the structure of its business model to create economic incentives for its clients to remain in the service relationship.

Lastly, the results indicate the usage of *Technological barriers* in a KIE firm's retention strategy. Clemons (1986) posits these barriers arise when switching to a new provider involves significant technological hurdles, such as compatibility issues, learning new systems and in some instances financial implications. Furthermore, in the case of ALPHA, the servitization of their patented dispensing technologies through licensing implies the client first can only access the unique benefits of their solutions through sustaining the commercial relationship with ALPHA.

With this present, from the performed analysis of the sample firms and their client relationship management as a means of delivery of their client retention strategy, it can be observed how these firms employ a combination of switching barriers as part of their client retention strategy. Furthermore, a strong emphasis on *relational* barriers can be observed in cases employed, as both subjects display a strong reliance on adopting affective behaviors throughout the length of their established service relationships with the aim of establishing relational barriers (Gao Et al., 2023; Sharma & Patterson, 2000). While relational barriers are dominant, it can also be observed how both firms leverage contractual barriers as part of their mechanisms to preserve their relationships. Nevertheless, there are nuances on what types of barriers these firms employ in relation to their business model and operational context, as it can be seen in the case of ALPHA, servitization of the technologies allows for the creation of technological barriers *(Clemons, 1986; Arthur, 1989)*, while in the case of BETA, a shared-revenue model allows for the formation of financial barriers *(Burnham Et al. 2003)*.

## **RQ2:** "How do the switching barriers in their general retention strategy change as per the progression of the service relationships they establish?"

The exploration of switching barriers as part of the retention strategy of service-based KIEs such as ALPHA and BETA highlights the strategic and dynamic nature of these mechanisms throughout the progression of their service relationships (Mintzberg, 1987). The results of the analysis in this research evidenced that both firms adopt a phased structure for their service relationships. Furthermore, this phased approach directly influences *"how"* and *"when"* these firms establish switching barriers as part of their retention strategies, as the emergence and reinforcement of switching barriers are closely aligned with the stages within each phase of the relationships' lifecycle. Nevertheless, this approach underscores the importance of event timing, not merely in terms of duration but critically in terms of the specific timing of strategic actions these firms adopt to maximize retention.

From the results, it was evidenced how both subjects leverage the time factor in their general retention strategies. An important highlight from the evaluation of the interactions between the switching barriers these firms aim to establish and the temporal dimension as per *Mintzberg (1987) and Mayer & Floriani (2022)* is their emergence across the stages and phases in the relationship lifecycle of these firms. For instance, in the case of ALPHA**,** it can be seen how distinct contractual barriers are created at each establishment stage of their service relationships, as well as how the relational barriers have a carry-over effect from the awareness stage of phase one phase to the next phase. Furthermore, in the case of BETA, the firm leverages only one type of switching barrier during the first phase, however, the more structural and complex switching barriers emerge throughout the second phase of their services, with contractual barriers emerging at the establishment stage of phase two, and financial ones emerging at the development stage.

With that present, what these results evidence is that there is an interplay between the stages and, in these cases, also the phases in the lifecycle of the service relationships and the emergence and disappearance of switching barriers.

According to *Mintzberg (1987)* and *Mayer & Floriani (2022)*, timely action in a business strategy is crucial for its efficacy. In the case of the service-based KIEs from the two sample firms in this study, it can be observed how the emergence of switching barriers, as per the retention strategies of the firms, changes according to the progression of the relationship in terms of: *1)* typology, *2)* stage of emergence, *3)* duration of the established barriers throughout the relationship length, and *4)* transferability or strengthening of the barriers throughout stages or phases.

## 7.2 Final Conclusions

From the present research and the evidence collected to provide answers to both proposed research questions, as well as the answers themselves, it can be concluded that service-based KIE (Knowledge-Intensive Entrepreneurship) firms, as part of their client retention strategy, aim to establish diverse types of switching barriers as mechanisms to decrease the likelihood of client defection. These barriers are multifaceted and implemented through various behaviors and mechanisms throughout the lifecycle of their service relationships.

The ability of these firms to establish diverse types of switching barriers, as unveiled in this study, is contextually dependent on elements such as their operational business context, business model, relationship type, and relationship structure. These firms actively leverage the time-temporal dimension of relationships, not only through the timing of behaviors or mechanisms to establish these barriers but also by structuring the client journey in a phased manner.

Therefore, it can be concluded that service-based KIE firms employ switching barriers as a complementary element of their client retention strategies. They utilize a combination of barriers that evolve as their service relationships progress. These barriers are influenced by the type of relationship these firms hold with their clients and range from emotional connections to financially rewarding incentives, as observed in the subjects of this study.

However, the generalization of these findings is limited due to the relatively small sample size used in this research compared to the total population of service-based KIE firms, which continues to grow. To increase the external validity of these conclusions, it is recommended that more firm-level case studies be conducted. This would provide a broader understanding and validation of the strategies employed by service-based KIE firms across different contexts and relationship dynamics.

## 7.3 Limitations

The unfolding of this study involved the participation of just two service-based KIE firms as case studies, furthermore, the researcher is aware of the implications of a small sample size in qualitative research and its limitation in terms of external validity of the results obtained during this research. Furthermore, the results presented, are limited to the firms' *general* retention strategy and not on a case-by-case strategy. Additionally, elements of the firms and other aspects have been kept under anonymity or partially presented for the protection of the firms identities as well as sensitive information. Furthermore, the researcher is aware that the results have been subject to a certain level of interpretation as tradeoff of qualitative research and thus, the aspects presented in the conclusion of this study should therefore be seen as material that can be used by for future studies for the further expansion of the body of knowledge around service-based KIE firms.

# Implications

## Theoretical

This research contributes to the body of knowledge around Knowledge-Intensive Entrepreneurship by looking into two overlooked elements of the firms resulting from this type of entrepreneurial process. The first one is firms with service as their core business model orientation, while research has been conducted to understand knowledge intensity within service, research on firms that are both knowledge-intensive and with service orientation since inception has suffered a considerable level of neglect in the current bodies of literature. Furthermore, the strategic behaviors for survival in competitive environments adopted by this type of firms have not been looked at before in such level of detail, therefore, this research contributes by bringing to light the need for more research that as a result, can bring insights for emerging firms to leverage on a more "how-to" basis to ensure their survival in today's competitive markets, more so, for firms that hold such high potential for both societal and environmental value creation.

Further, the conceptual framework employed in this research poses the potential of contribution for future research around services and the relationships as time-bounded exchanges, as to the researcher's knowledge at time of this study being conducted, no other research has condensed the elements surrounding relationships in service a this degree of logic and generalizability by including the temporal dimension in a staged lifecycle and then comparing it in relation to the retention strategies of a service firm and how these strategies interact with this time dimension, let alone, for KIE Firms in service.

Nevertheless, the theories and concepts employed throughout this research have held consistent with findings of this research, furthermore, while some of the theorized switching barriers have not been observed in the subject firms, this is as per the researcher's interpretation, this does not mean they could not be potentially observed in other case studies.

## Managerial

From the results of this research, it is evidenced that event timing of these barriers plays a crucial role in their potential effectiveness. From both companies employed in this research, it can be observed how establishing certain types of barriers early in the client relationship, could set a strong foundation for strong retention effects. Thus suggesting that the interplay between switching barriers and the progression of service relationships could have a relevant impact in a firm's ability to build retention.

## Future research

While the findings of this research bring to light how the firms of interest establish switching barriers through their retention strategies during the length of their service relationships, one

important factor of this research is that, the results obtained during the analysis are based on the data collected from selling firm's side, furthermore, *Bansal & Taylor (1999)* posit that switching barriers in a service context are only effective when they are perceived and assessed by clients during their decision-making process of whether to defect or not from the ongoing services, therefore, the researcher proposes, for the measurement of the efficacy of these retention strategies and the employed switching barriers, to conduct future research to evaluate the client's perspective and the barriers they perceive could be hurdles to exit and contrast them with the selling firm's intended switching barriers, more so, considering the increased level of rationale of the buyers in a B2B context.

Furthermore, in future studies, it can be examined how the accumulative effect of the identified switching barriers contributes towards a clients willingness to defect potentially through quantitative research.

Nevertheless, the strategic management behaviors of KIE firms in service still remain an underexplored avenue regarding this type of firm. Further research addressing "how" type of questions regarding these firm's efforts to sustain their operations in the early stages, more so for those seeking to address grand societal challenges and considering their high potential to make impact towards them *(Gifford & McKelvey, 2019)* could reap instrumental benefits.

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# Appendix

## Appendix 1.0 Interview guide with subject participants regarding their retention strategy

**Session 1:** Review of the firm's inception and entrepreneurial process for determining the firm is KIE.

**Topic 1: Firms Origin**

- **Q1:**Can you tell me about the firm's origins and how the firm emerged?
- **Q2:** What were some considerations at the time of designing the business?
- **Q3:** How was the process of starting the firm that operates today?
- **Q4:** Can you provide me some additional context on relevant details about the firm?

**Session 2:** Vignette Presented to participants on what is retention and what are switching barriers in service.

**Topic 1: Overall Retention Strategy**

- **Q1:** Can you tell me about your firm's overall retention strategy?
- **Q2:** How do you approach your prospects when you try to sell your services (how do you acquire your clients)?
- **Q3:**From what you understood of this study, can you tell me about your client's journey when they adopt your services?
- **Q4:** What efforts does the firm put on trying to preserve these acquired clients?
- **Q5:** Tell me in more detail about the service the firm provides
- **Q6:** Please feel free to share anything you believe could contribute to this research.