

# An Empirical Examination of Firm-Initiated Service Termination: A Perceived Justice Perspective

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**Abstract** Nowadays, companies treat their customers differently based on their merits (i.e. rewarding desirable customers with the royal benefits while disengaging undesirable customers). The latter was the case when Sprint Nextel terminated mobile phone contracts of over 1000 customers due to excessive calls to its call centres (Mittal et al. 2008). Despite the strategic importance of customer disengagement in terms of its impact on firm's profitability (Narayanan and Kaplan 2001), firm reputation (Alajoutsijärvi et al. 2000) and customers' negative behaviours (Haenlein and Kaplan 2012; Mittal et al. 2008), existing empirical research is limited. Existing research tends to focus on specific types of disengagement strategies (e.g. direct and indirect firm-oriented strategies) and lacks an examination of the impact of other disengagement strategies on disengaged customers' perceived justice and negative behavioural responses. More specifically, empirical examinations of consumers' perceived fairness of service termination have been very limited (Mayser and von Wangenheim 2013) and only examined among other existing and prospective customers (Haenlein and Kaplan 2010). Therefore, this study examines the effects of two direct disengagement strategies (e.g., fait accompli—a firm oriented strategy and state-of-the-relationship talk—a customer oriented strategy) on customers' perceived justice and in turn their negative behaviours. More importantly, the study investigates the extent to which using a specific compensation type (e.g. monetary compensation, explanation, and apology) can influence customers' perceptions of justice and in turn their intended negative behaviours. The study will also examine the moderating effect of the severity of termination strategy on effectiveness of different compensation types. Given the limited resources available to marketing managers, it is important to establish whether offering any compensation can have a positive influence on customers' fairness perceptions. In the end, this study will improve our understanding of the disengagement process and will also help practitioners manage the termination more effectively.

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**References available upon request.**