AMS Review (2020) 10:185–188
https://doi.org/10.1007/s13162-020-00187-4

COMMENTARY

Marketing's value propositions: a focus on exit, voice, and loyalty

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Published online: 2 December 2020
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Abstract
We capture the theoretical and practical essence of the thoughts by Key, Clark, Ferrell, Stewart, and Pitt (*AMS Review*, 2020) on marketing's value propositions by creating an integrative satisfaction-focused exit-voice-loyalty theory. The potpourri of thoughts by Key et al. (2020) in this issue of *AMS Review*–centered mainly on marketing's value propositions within the broader business academy (and practice)–lend themselves to a focus on the value propositions, dynamics, and relationships between customers and firms. With the customer-firm exchange as the lens, marketing's value propositions are effectively brought out via the development of the satisfaction-focused exit-voice-loyalty theory (SEVL theory)**.**

Keywords Marketing Value · Customer Satisfaction

Comments

To capture important dynamics in marketing's value propositions and to provide theoretical complementarity and a commentary-oriented lens on the thoughts by Key et al. (2020) in this issue of *AMS Review*, we draw on exit-voice-loyalty theory (Hirschman 1970). Let us be clear at the outset, our focus is not on the value propositions of marketing within the academy per se–as in the eclectic thoughts presented by Key et al. (2020)–but instead we focus on leveraging the potpourri of thoughts from these authors to capture marketing's value propositions more broadly within the marketplace. In doing so, we are able to provide a theoretically deep and thoughtful example of how marketing's value propositions could be viewed both within the academy and within business practice. This take parallels thoughts by Ferrell that "both marketing practice and academic research appear to have constituencies questioning how the discipline is contributing to organizational success."

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In essence, marketing's value propositions center on satisfying customers and in the process, as needed, handling customer complaints and maintaining loyal customers. The blossoming of the dynamics of this satisfaction-inspired research began in the early 1990s, following identification of the "service recovery paradox" (SRP), i.e., the finding that customers who experience a failure and complain to a firm can be as satisfied and loyal as, or even more than, non-complaining customers (or pre-complaint customers). The determinative factor underlying such paradoxical scenarios, of course, is that complaint recovery is handled (really) well by the firm (e.g., Morgeson III et al. 2020). As Hart et al. (1990, p. 148) suggested when launching the SRP research agenda, "a good recovery can turn angry, frustrated customers into loyal ones. It can, in fact, create more goodwill than if things had gone smoothly in the first place." But such recovery and goodwill, most likely, cannot be effectively implemented without deeply rooted systems thinking, as also advocated by Ferrell.

Systems thinking leads us to economic theory in this case. Specifically, to theoretically capture the paradoxical scenarios of the value propositions that stem from satisfaction–complaint–loyalty dynamics, we integrate long-established economic theory within the context of the thoughts by Key et al. (2020) We believe that economic theory can facilitate a holistic, system thinking of marketing's value propositions. In doing this, we create a theoretical design that illuminates not only a (potentially) dissatisfied customer's decision to complain, but also a firm's motivation to invest in managing

complaints to turn such a customer around to being satisfied again and remain loyal. Such loyalty within the framing of complaints is an opportunistic way of viewing marketing's broad-based value propositions. The core elements of this theoretical foundation come from economics–specifically, Albert Hirschman's exit-voice-loyalty theory (Hirschman 1970). Within the scope of Hirschman's EVL theory, we can effectively merge marketing thoughts from Key et al. (2020).

According to ***exit-voice-loyalty theory***, or EVL theory (Hirschman 1970), a customer who experiences dissatisfaction has three basic options: the customer can (1) exhibit disloyalty and defect from the firm (i.e., "exit") to an alternative provider of the good or service (assuming one exists); (2) complain and express his or her displeasure to the firm (i.e., "voice"), often in an attempt to receive recompense and recovery from the firm; or (3) do neither, accept the conditions causing the dissatisfaction, and remain "silently loyal." Beginning with these simple premises, the customer's decision about which alternative to pursue is informed by a variety of essential factors related to the good/service being consumed and the economic context within which the consumption occurs. Oftentimes, in this context, as Pitt suggests, "marketing ignores its own shadow." He states that "Much less attention is given to the fact that marketing is very often a coercive, manipulative discipline, one whose sole purpose to many is to 'engineer consumption' or to make consumption occur even when it might not have." Perhaps that is why exit-voice-loyalty theory is best captured holistically via economic thought rather than positive marketing. Naturally, firms have both incentives and disincentives for managing customer complaints effectively, i.e., either ignoring or not marketing's own shadow. Given its foundation in economics, the implications of EVL theory and its predictions regarding the actions of both customers and firms can be explained graphically via economic demand curves, as illustrated in Fig. 1a and b (cf. Fornell and Wernerfelt 1987, 1988; Hirschman 1970).

However, as a precursor to our EVL theory thoughts, we very much adhere to the notion offered by Clark that "multiple conflicting algorithms" can be developed to explain the phenomena we tackle in this commentary. In fact, Clark's notion that marketing phenomena cannot remain static should be considered when reading and evaluating our theorizing: "Key in each case is the fact that marketing participants are observing, evaluating, analyzing, theorizing, learning from one another, and then changing their behavior, such that marketing phenomena cannot remain static." For example, what can be considered marketing's value proposition in one time period cannot be assumed to be the same in another time period. What is considered customer satisfaction delivered by one firm cannot be assumed to be delivered even with the same/similar product by another firm. And what is acceptable or even superior customer satisfaction in one industry (e.g., public utilities) cannot be assumed to be regarded as such in another industry (e.g., restaurants).

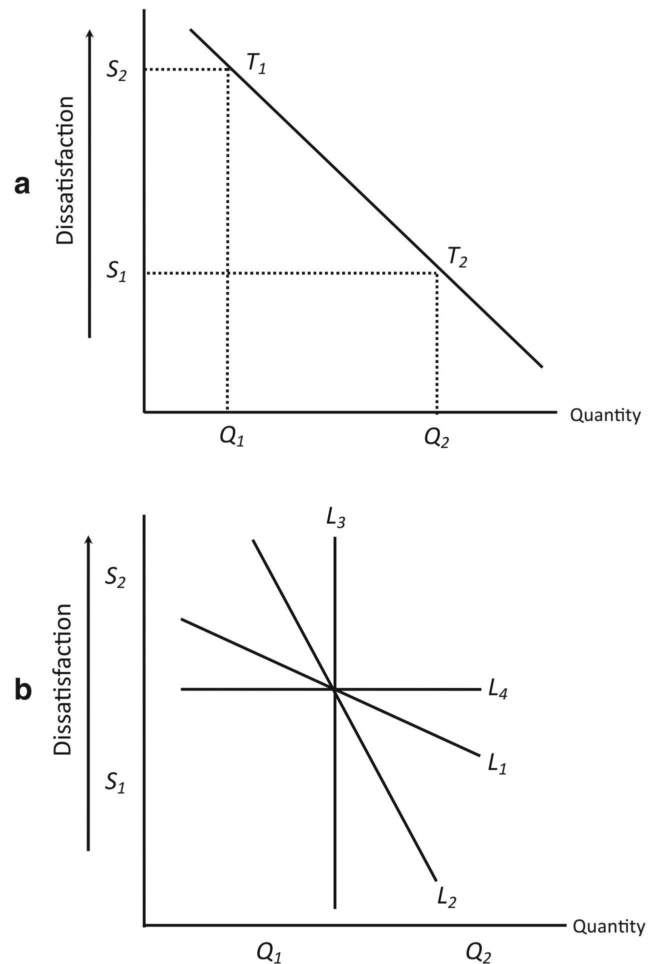

Fig. 1 A demand curve illustration of satisfaction-focused exit-voice-loyalty theory

To start, much like a traditional demand curve, the diagrams in Fig. 1a and b have quantity of the good or service sold (demand) along the horizontal axis, but we replace price on the vertical axis with customer satisfaction. This price-to-satisfaction swap creates the fundamental setup for significant theoretical development regarding the complaint–recovery–loyalty relationships, while also blending EVL theory with marketing thoughts from Key et al. (2020) and capturing a complementary lens of marketing's value propositions. As a start, dissatisfaction *increases* (i.e., satisfaction *decreases*) as we move *up* the axis to preserve the traditional negative slope of the demand curve. As satisfaction moves from S_1 ("normal" or "average" satisfaction) to a diminished state in S_2 in Fig. 1a–which indicates increasing dissatisfaction among consumers–demand for the good or service (and thus total quantity sold) drops from Q_2 to Q_1. From the perspective of marketing thought, this decline in demand is due to diminished customer loyalty driven by dissatisfaction (a decrease in the

value proposition from the customer's standpoint), but also the harmful effects of negative word-of-mouth on existing or potential customers (e.g., diminished brand equity). This source of falling demand dissatisfaction-induced customer disloyalty–is what gives rise to both customer complaints and (potentially) a firm's attempts to manage those complaints by means that reaffirm loyalty. Reaffirming loyalty is an outcome of the dual perspective of marketing's value propositions–that from the customer's view and that from the firm's view.

The "steepness" of the curve–the elasticity or the relative strength of the effect of changes in satisfaction on demand–is non-constant and dependent on a variety of *economic* factors. These factors include, for example, the number of competitors in an industry, barriers to switching or defecting, the type of product or service purchased (i.e., discretionary, or non-discretionary good), and the investment in or price paid for the good. The steepness of the curve is critical for understanding the predictions of our *satisfaction-focused EVL theory* (SEVL theory) vis-à-vis a customer's behavior in situations of increasing customer dissatisfaction. This includes both a customer's propensity to choose the exit option, voice, or loyalty when dissatisfied and a firm's incentive to manage complaints effectively. For illustration, four curves with different elasticities are provided in Fig. 1b to explain these complexities.

Line L_1 in Fig. 1b is an example of high demand elasticity, which is reflected in the relatively shallow or "flatter" demand curve. A flatter curve indicates that even relatively small changes along the vertical axis (satisfaction) will have a substantial effect on demand. Industries with flatter curves include (1) high-priced discretionary or luxury goods suppliers with a relatively large number of small-sized competitors (of roughly equal market share) and/or (2) the presence of numerous replacement goods (e.g., lower-priced alternative goods that fulfill the same or similar consumer needs). An example of such an industry would be high-end luxury automakers. In cases of high demand elasticity, SEVL theory predicts that customers will defect in large numbers as satisfaction slips even slightly, and that most customers will often do so without lodging a complaint. This lesser reliance on complaints by customers is due first and foremost to the highly competitive environment, where disloyalty is virtually frictionless and moving to a competitor is markedly easier than in most other contexts. Under such conditions, firms have an incentive to be hyper-sensitive to declining customer satisfaction and its consequences. Indeed, firms in highly elastic industries should (paradoxically) seek to *maximize* complaint volume among dissatisfied customers. As counterintuitive as this sounds, maximizing complaint volume in this context increases the likelihood that a firm will be able to resolve the issue and reaffirm customer loyalty among dissatisfied customers more prone to otherwise "silently defect" to a competitor (Fornell and Wernerfelt 1987). Customer complaints can also be used as an informational advantage towards creating a more satisfying and competitive product for customers in the future, thereby increasing marketing's value proposition for both customers and firms in the marketing ecosystem (the marketing ecosystem is defined as the organisms of the marketplace–including stakeholders, organizations, and institutions–involved in exchanges through both marketplace competition and cooperation).

Line L_2 is an example of a highly demand-inelastic industry, represented by a relatively steep demand curve. A steeper demand curve indicates that even relatively large changes along the vertical axis will have only a limited impact on consumer demand. Industries with steeper curves often supply necessity, non-discretionary, relatively homogenous goods or services with a limited number of competitors (i.e., an oligopoly) and higher switching costs for customers. Gasoline service stations are often used as an example of inelastic demand. In cases of low elasticity, SEVL theory predicts that (1) customers will not quickly defect as satisfaction declines and (2) a larger number of dissatisfied customers will likely complain. Due to the limited number of competitors, higher switching costs, relatively homogenous goods/services, and a customer's strong need for the good or service, moving to a competitor is less attractive and comparatively more difficult. For these reasons, then, even though complaint rates are likely to be higher, (many) firms are unlikely to give as much attention to complaint recovery, knowing that even dissatisfied customers are more likely to remain loyal.

Two extreme and rare cases of SEVL theory are illustrated in L_3 and L_4 in Fig. 1b. The first is the pure monopolist selling a necessity good (L_3), where the demand curve reaches full verticality. That is, there is no decline in demand whatsoever as dissatisfaction increases, as a customer requires the good and has no competitive alternatives. In essence, there is an automatic value proposition for the customer regardless of marketing's economic value proposition per se. In this case, the customer is left with only two options when dissatisfied: to remain silently loyal or to complain with the (unrealistic) hope that the monopolist will decide to make improvements (e.g., for goodwill or non-financial reasons). Practically, monopolists may need to be prepared for possibly rampant complaints when quality deterioration results in customer dissatisfaction. However, they need not necessarily worry about effective complaint recovery, per se, as customers are ultimately unable to defect by finding a better value proposition due to the monopolistic conditions (e.g., Hirschman 1970). Effectively, however, this monopolistic-demand scenario (L_3) is the sole example where a firm can confidently provide complaint *non*-recovery without obvious repercussions relative to the value proposition. At the opposite extreme, in cases of perfect competition (L_4), with a nearly infinite number of competitors of roughly equal market share and thus with a perfectly horizontal or flat demand curve, virtually no complaining customers

exist and thus fewer opportunities by the firm for recovery actions exist. The infinite number of competitors (along with the nearly identical prices, product homogeneity, and low switching barriers that characterize such extreme marketplace competition) will induce customers to defect to a competitor at the first sign of dissatisfaction. There are simply too many opportunities to positively achieve the value proposition that the customer is seeking in other places in the marketplace. Thus, preventing dissatisfaction in the first place and taking seriously every existing opportunity to recover aggressively is imperative.

Conclusion

In trying to capture some of the relevant but rather diverse and eclectic thoughts by Key et al. (2020) on marketing's value propositions, we created a *satisfaction-focused exit-voice-loyalty theory* to integrate thinking on customer satisfaction with that of the value inherent in the dynamics and relationship between a customer and a firm. We echo Stewart's thoughts and we are "very positive about marketing's real and potential contribution to the customer, the firm, and society at large."

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