REMOVING THE PRODUCT BUT RETAINING THE CUSTOMER: HOW TO MANAGE CUSTOMER REACTIONS TO PRODUCT ELIMINATIONS

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ABSTRACT

Companies across different industries are regularly confronted with the need to streamline their product portfolio. Despite the various benefits of product eliminations, many managers hesitate to take corrective actions as they fear deleterious effects on customer satisfaction and loyalty and lack practical guidelines for an effective implementation towards the customers. Despite the importance of and the problems with product eliminations in business practice, there is little research on this topic in general. The few existing studies almost exclusively adopt a company perspective, addressing issues regarding the decision making process (e.g., evaluation criteria, degree of formalization) or the actual withdrawal of the product from the portfolio (e.g., extent, timing).

Against this background, our study aims at taking a customer perspective on a company's elimination behavior and the consequences caused by a product elimination. Furthermore, we will use our findings to provide guidelines for managers on how to effectively implement product eliminations towards their customers. We therefore explore the consequences that a customer faces when being confronted with a product elimination (i.e., psychological and economic costs) and analyze their impact on the company-customer relationship. Moreover, our study investigates whether and how a company may mitigate such potentially unfavorable effects. In this context, we identify appropriate company activities related to the implementation of an elimination towards customers (e.g., in terms of the time of announcement or the type of compensation offered).

To address these research issues, we conducted a large-scale cross-sectional study with 247 industrial goods companies in a business-to-business context. Studying the management and consequences of product eliminations in this context is especially relevant, as eliminated products often play a crucial role in the production process of customers and because business-to-business companies usually have only a limited number of customers, who are vital for their business.

Our findings indicate that a company's decision to withdraw a product from the market may indeed have substantial negative consequences for customers and company-customer relationships. More specifically, we show that customers being confronted with a product elimination face substantial psychological costs (e.g., uncertainty about the supplier's reliability or cooperativeness) and economic costs (e.g., for searching and integrating substitute products). However, results also reveal that by actively managing the implementation process (e.g., by timely announcing the elimination or helping the customer to find a new supplier for the eliminated product) and the implementation outcome (e.g., by offering an alternative product or financial compensation), a supplier has the chance to reduce these unfavorable effects.

Based on these findings, managers hesitating to eliminate products could now take the plunge, as our results provide guidelines on how to effectively implement product eliminations towards customers.

References Available on Request.