**Consumers’ propensity for rollover service contracts: the influences of perceived value, convenience and trust on service loyalty**

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**Abstract**

Rollover contracts are becoming increasingly commonplace in a range of service markets. Such contracts automatically renew for a further term when a contractual period comes to an end. Rollover contracts represent a unique form of loyalty, because a consumer who signs a rollover contract at the time of initial purchase, signals a commitment to stay loyal to the firm before they have even experienced the service delivery. Prior studies of automatic renewal have predominantly been undertaken in the domain of consumer economics, and the psychological dimension of buyer decision making has yet to be explored. The desire for convenience was found to have the strongest influence on consumers’ propensity for rollover service contracts. Additionally, trust as a mediator of reputation, and perceived value also influence consumers’ attitudes and behavioral intentions for selecting these products. It is concluded that service providers should ensure that consumers recognize that there is an element of reciprocity which is mutually beneficial to both parties in the provision of such contracts.

**Keywords**

Service contracts; Automatic renewal; Convenience; Trust; Perceived value; Service loyalty

**Introduction**

Most consumers in the developed world have entered into rollover service contracts (RSCs) (Kovač & Vandenberghe, 2015), with many having done so without giving it much thought, or even realizing what they have done. A rollover clause in a service contract relates to the contract being automatically renewed for a further term, unless the consumer gives notice to terminate before the cancelation deadline. It has become common practice for service providers to offer the option of rollover into subsequent contract periods, which is normally enacted with automatic payment from the bank or credit card account used for the initial purchase. RSCs are available for a wide range of products, including cell phone services, broadband, insurance, gym membership, and anti-virus software. Service providers can benefit from higher retention rates and increased revenues from consumers entering into these contracts, and in order to strengthen firm-consumer relationships they may reward consumers for doing this with price reductions, gifts or benefits (Calvo-Porral et al., 2017).

However, customers may also be exploited at the time of contract renewal, by being charged higher prices, or offered less attractive products than were previously provided (Gray et al., 2017). Through prior experience, word-of-mouth and media coverage, many consumers are aware that providers often implement contractual practices that are disadvantageous to them (Peachey, 2018), yet they still agree to take on RSCs when purchasing services. In this paper we seek to shed light on this behavior through investigating consumers’ propensity for RSCs and the factors that influence it, from a service loyalty perspective. Ostensibly, consumers are behaving rationally by avoiding the search and switching costs of moving to another provider (Murooka & Schwartz, 2019), particularly when they are prone to inertia and procrastination (Henderson et al., 2021; Johnen, 2019), which may offset any perceived shortcomings of RSCs. This study therefore fills a gap in understanding services consumer behavior, as this form of contract is now widely offered by providers and taken up by buyers. Indeed, although prior studies have been undertaken in the domain of consumer economics, the motivational dimension of buyer decision making for RSCs has yet to be explored. Moreover, the research presented here adds to the literature on service loyalty by examining antecedents to the future retention of customers based upon the expected rather than actual outcomes of their service experience.

The purpose of this research is to offer preliminary insights into the factors affecting consumers’ initial decision to enter into RSCs, and their attitudes and behavioral intentions toward the provision of services in this way. When considering this, we take a new perspective on service loyalty, as at the time of initial purchase consumers are signalling a commitment to stay loyal to the firm before they have experienced the service delivery.

**Rollover service contracts**

Service providers that retain their existing consumers can look forward to receiving future revenues (Gremler & Brown, 1996), which offers an incentive to implement policies that result in consumers renewing their service contracts. Firms may encourage consumers to accept automatic renewal by offering low introductory prices (Ru & Schoar, 2016), or promising price discounts in future contractual periods. Consumers may subscribe to contracts with lower rates, but without the promise of future price discounts, because they are confident that they will cancel the contract at the end of the initial term if they no longer find it attractive. Based on the expectation that the service provider will want to develop a relationship that offers benefits and value for both parties (Roig et al., 2006), some consumers assume that their loyalty will be rewarded with preferable contractual terms and superior services (Wieseke, Alavi, & Habel, 2014).

However, previous research has found that loyalty leads to lower price sensitivity (e.g. Guadagni & Little, 2008; Srinivasan, Anderson, & Ponnavolu, 2002), which often results in consumers paying high or uncompetitive prices (Chaudhuri & Holbrook, 2001). Indeed, Johnen (2019) found that providers frequently rely on back-loaded pricing, whereby they offer consumers large discounts for the initial contractual term, with the intention of charging higher rates in subsequent periods. This strategy is generally successful because consumers are overconfident about their future probability to cancel after the initial contractual period.

Additionally, providers create complex contracts containing technical language, which are overly-long and difficult to understand. Evidence suggests that only 4-5% of consumers read a contract in full before signing, and they may therefore not even be aware of agreeing to automatic renewal (Hillman, 2006). To terminate a service contract, consumers usually have to give a specified period of notice, using an approved communication method. Consumers may fail to terminate a contract when this is actually what they would have liked to do, because they procrastinated or simply forgot to decide by the required time (O’Donoghue & Rabin, 2001). Alternatively, consumers may be sent a reminder indicating that unless they give notice to terminate a contract by a specified date, then the contract will automatically renew.

Consumers may be inhibited from terminating contracts by deliberately inflating transaction costs (Sovern, 2006). If suitably high, these costs will discourage rational, self-interested, risk-averse and wealth-maximizing consumers from canceling their contracts and switching to another supplier. Yet, in practice, consumers do not always act rationally, and sometimes appear to behave in a way that does not optimize their own best interests due to a range of other considerations (Kovač & Vandenberghe, 2015). Thus, this research explores consumers’ propensity to rollover service contracts from a behavioral decision making perspective, specifically examining the role of service loyalty and its underpinning contributors that relate to attitudinal as well as purchasing intentions.

**Rollover service contracts and service loyalty**

A consumer who enters into a RSC signals to the service provider their commitment to remain loyal in the future. A small proportion of such consumers may intend to terminate the contract before it renews, but in practice, the majority of consumers allow their contract to rollover. Thus, the research presented here is grounded in repeat purchase behavior and the service loyalty literature. Although loyalty can be regarded as a complex, multi-faceted phenomenon, Han, Kwortnik & Wang (2008) establish that it is the result of a dynamic learning and decision process, with a range of factors contributing to attitudinal and behavioral responses. Essentially, they perceive service loyalty as a composite construct with behavioral loyalty emanating from a sequence of effects associated with attitude formation. Further, Jones and Taylor (2007) identify that loyalty is related to the psychological connection between the consumer and the provider, which is manifested both attitudinally and behaviorally. Therefore, it is important to view service loyalty as more than a simple outcome variable measured by repeat purchase behavior (Cronin & Taylor, 1992), and conceive it in a more holistic way that also recognizes the significance of the affective attitudinal aspect of the dyadic affiliations of service consumers and providers, and the potential benefits offered to both parties (Dick & Basu, 1994).

When purchasing a service, consumers typically consider the extent to which a particular product or provider will satisfy their personal needs. However, consumers’ purchasing decisions are often influenced by price and quality more than any other factors (Wilkins & Ireland, 2020). An individual’s perception of the trade-off between price and quality determines the perceived value to the individual. When purchasing services, consumers are often concerned with reliability and dependability as aspects of quality (Saroha & Diwan, 2020). The intangibility of services presents risks and uncertainties for consumers, and as a result, individuals often consider price and reputation as indicators of product quality (Wirtz & Lovelock, 2016). Compared to fast moving consumer goods, many services have higher monetary value and longer-term consequences.

When a service is delivered over an extended period of time, a service contract usually exists between the provider and consumer, and consumers are likely to be more comfortable signing service contracts only with providers that they trust. The risks and uncertainties associated with credence services – which have qualities that consumers may be unable to observe or assess even after purchase – encourage consumers to seek information for product evaluation from a greater number of sources (Chocarro, Cortinas, & Villanueva, 2021). Services often have a high time cost for consumers, in terms of information searching, complex purchase transaction processes, and switching barriers. For time poor consumers, or individuals that are sensitive to time use, convenience may be an important influence in their decision making. So, in the context of services that are delivered over time, perceived value, reputation, trust, and convenience have been identified as key determinants in consumers’ services purchasing decisions.

***Perceived value***

Price is typically perceived by consumers as a cost, and for the price they pay, consumers expect benefits which deliver value (Lee & Cunningham, 2001). Price and value are particularly influential in services marketing because transaction and switching costs are often high and/or noticed by consumers (Tanford, Raab, & Kim, 2011); consumers expect price discounts as a reward for their loyalty (Wieseke et al., 2014); and loyalty schemes employed by service providers, actually cause consumers to place more importance on price and less importance on rewards and convenience (Umashankar, Bhagwat, & Kumar, 2017). Most consumers consider price in relation to perceived quality (Chiang & Jang, 2006), with the relationship between price and quality determining perceived value. A consumer will perceive that a product delivers value if they obtain the service that they require at a price that they consider acceptable, and value may be regarded as ‘getting what you paid for’ (Sirohi, McLaughlin, & Wittink, 1998).

Certainty in a transaction with a service supplier increases aversion of losses and the desirability of gains, leading repeat consumers to seek benefits, such as lower prices than those paid by new or potential consumers (Kim, Xu, & Gupta, 2012). On the other hand, there are consumers who perceive value in relation to the reduction of time and effort when evaluating alternatives, and these consumers may be prepared, either consciously or unconsciously, to pay a higher price. We therefore hypothesize that:

*H1. Perceived value is positively associated with consumers’ propensity for RSCs*

***Reputation and trust***

Several studies suggest that a provider’s reputation has a positive effect on consumer loyalty (e.g. Caruana & Ewing, 2010). Because services are intangible, reputation is used by consumers to minimize perceived risks and uncertainty. Reputation acts as a powerful extrinsic cue, as it cannot be easily changed or manipulated, and usually there is wide consensus among consumers about which organizations have strong reputations (Bensebaa, 2004). Reputation may be regarded as the overall evaluations of an organization’s stakeholders over time, which are based on direct experiences, any form of communication that provides information, and comparisons with key competitors (Arbratt & Kleyn, 2012).

Due to the intangibility of services, quality is generally more difficult for consumers to evaluate, and so they are more likely to rely on reputation to influence purchase decisions (Walsh & Beatty, 2007). Reputation has been positively associated with its ability to attract new consumers (e.g. Gotsi & Wilson, 2001), and build and maintain successful consumer relationships (e.g. Jurisic & Azevedo, 2011). Consumers typically expect to pay a price premium when purchasing services from firms with the most favorable reputations, and many consumers rate company reputation ahead of price when choosing a provider (Keh & Xie, 2009). Furthermore, when consumers are familiar with a firm’s name and products, they may spend less time and effort on information searching and evaluating competing firms, as they perceive that a firm’s reputation reduces future risks and uncertainties (Arora & Stoner, 1996).

Increasingly, consumers are aware that service providers act in unfair and unreasonable ways, which may involve deceptive practices and/or confusion marketing (Kasabov, 2015). A provider may have a reputation for delivering high quality services, but consumers may prefer to avoid this firm if it is also known to treat its consumers unfairly and/or without integrity. Thus, consumers are more likely to buy services from providers that have a favorable reputation and which they also trust. Consumers have trust in providers that are competent, reliable, and benevolent, and when they believe that they will act with integrity in all future dealings (Kim et al., 2012). The more a consumer perceives risks and uncertainties, the more influential trust is likely to be in the final purchase decision, as it becomes a mitigation mechanism (Sichtmann, 2007). A consumer’s perceptions of service quality may be influenced by the extent to which the individual trusts the firm, and this may then affect future purchase behavior (Schlosser, White, & Lloyd, 2006). This is consistent with other research that has found loyalty to be positively related to trust, particularly in online service contexts (Al-Hawari, 2018).

Additionally, the relationship between reputation and trust is regarded as being key to the way in which rollover decisions are made, and that providers with a strong reputation achieve this through being highly trusted. Confidence is an important factor in developing trust in relationships, and a strong reputation can build customers’ confidence and reduce their risk perceptions when they make judgements on the quality of products or services (Morgan and Hunt, 1994). Customers are more likely to regard providers with strong reputations as trustworthy. Furthermore, customers are likely to perceive providers with good reputations through a number of inter-related features, including trust, that contribute to their expectations in delivering excellent products or services, and integrity in fulfilling contracts or keeping promises (Keh & Xie, 2009). Thus, we offer the following hypotheses:

*H2a. Reputation is positively associated with consumers’ propensity for RSCs*

*H2b. Trust is positively related to consumers’ propensity for RSCs*

*H2c. Trust mediates the relationship between reputation and consumers’ propensity for RSCs*

***Convenience***

Regardless of the perceived time availability of individuals, convenience is something potentially sought and valued by all consumers. Marketers have long known that convenience is important to many consumers, as they prefer to conserve time and effort whenever possible (Berry, Seiders, & Grewal, 2002). In the context of product selection or undertaking a purchase transaction, convenience may be regarded in terms of the time and effort required of consumers rather than the characteristics or attributes of a product.

Consumers have different convenience orientations, as they value time differently, and this may be influenced by perceived time scarcity and sensitivity to time-related issues, as well as the individual’s personal values (Thuy, 2011). Consumer evaluations of service convenience may be difficult to undertake because it can be measured in different ways and requires high quality information; but in practice, consumers generally purchase services with incomplete and/or substandard information (Tellis & Gaeth, 1990). A rational consumer may evaluate service convenience each time a contract ends, as the consumer has to make a purchase decision and choose between contract renewal, extension or termination. At such times, avoiding switching costs may be considered a form of convenience, as such costs are commonly perceived to comprise of the monetary cost, and the time and effort associated with switching to a new service provider (Tanford et al., 2011). Evidence from previous research suggests that convenience may affect consumer loyalty to service firms (e.g. Martínez & del Bosque, 2013), with convenience influencing both consumers’ evaluations of services and consumers’ purchasing behavior (Umashankar et al., 2017). This leads us to hypothesize that:

*H3. Convenience is positively related to consumers’ propensity for RSCs*

**Method**

***Data collection and sampling***

Perceived value, reputation, trust, and convenience represent the four independent variables, and propensity for RSC is the dependent variable. All of the independent variables used measurement scales that were adopted or adapted from pre-existing scales. Perceived value is conceptualized as referring to functional value, i.e. the utility derived from the product in terms of the price paid. The four-item scale for functional value proposed by Sweeney and Soutar (2001) was adopted. Reputation was measured using the three-item scale developed by Keh and Xie (2009); trust was measured using Sichtmann’s (2007) four-item scale; and convenience was measured using an eight-item scale from Colwell et al. (2008) and Seiders et al. (2007). Additionally, a scale was developed for rollover propensity, to measure consumers’ attitudes and behavioral intentions toward RSCs. Two focus groups of service consumers were convened for scale generation and scale refinement purposes. The resultant scale combined measures for both consumer attitudes (e.g. “I think rollover contracts are a good idea”) and intended behaviors (“I would sign automatically renewing contracts”), the two theoretical elements of consumer loyalty (Watson et al., 2015). Likert scale statements were used to measure all variables, where 1 = strongly disagree and 7 = strongly agree. All the scales used in the study were tested for internal reliability, and very good outcomes were achieved (Cronbach’s alpha scores ranged from .82 to .95).

To identify the influences of a number of contributors to service loyalty on consumers’ attitudes and intended behavior toward RSCs (rollover propensity), a sample of adult consumers in the Emirate of Dubai (N = 425; 54% female) completed a questionnaire, using a combination of postal and online survey methods. The chain referral technique was employed to maximize sample size and to increase respondent diversity.

***Preliminary tests***

To determine whether common method bias may pose a serious threat to the interpretation of the study’s findings (Podsakoff, et al. 2003), Harman’s single factor test was used. The results indicate that the one factor solution explains < 50% variance, suggesting common method bias is not a problem in our data. Construct validity and reliability were evaluated using confirmatory factor analysis (CFA). Convergent validity was assessed, to ensure that the items in each construct have a high proportion of variance in common. One item in the convenience construct had a loading slightly lower than .50, so this item was deleted. All of the remaining standardized factor loadings exceed the .50 threshold value (Hair et al., 2014). Composite reliability is an indicator of the shared variance among the set of observed variables for each construct. The composite reliability value for each latent construct is shown in Table 1. The smallest value is .83, which exceeds the .70 threshold. Thus, convergent validity and reliability for each construct is acceptable.

Discriminant validity was assessed to ensure that each construct is distinct from the others. Fornell and Larcker’s (1981) method compares the square root of the average variance extracted (AVE) with the correlations between the latent constructs. For discriminant validity to be acceptable, the square root of each construct’s AVE should exceed the correlations with other latent constructs. Table 1 confirms that this criterion is satisfied. Finally, a battery of fit indices were used to assess how well the data fits the hypothesized model. The results suggest a good fit between the data and the five factor model: *χ*2(174) = 344.37, *p* < .001; *χ*2/*df* = 1.98; goodness-of-fit index (GFI) = .927; Tucker-Lewis index (TLI) = .970; comparative fit index (CFI) = .975; and root mean square error of approximation (RMSEA) = .048.

**Results**

Hierarchical regression analysis was conducted to assess the extent to which perceived value, reputation, trust, and convenience are associated with consumers’ attitudes and intended behavior toward RSCs. This approach enables the researcher to evaluate the relationships between the independent variables and the dependent variable, establish mediation effects, and assess the extent to which each group of variables contributed to the explanatory value of the model.

The demographic variables of gender, education and income are used as the control variables in the initial model (Model 1), which explains 9.7% (*R*2 = .097) of the variance in the dependent variable. The addition of perceived value in Model 2 results in a modest improvement in the predictive ability of the model (*R*2 = .112). In addition to gender (*β* = .17, *p* < .001) and income (*β* = .24, *p* < .001) as demographic variables, perceived value is a significant predictor of rollover propensity (*β* = .13, *p* < .01). In Model 3, reputation and trust are added to the demographic variables and perceived value. A consumer may perceive that a firm has a generally positive reputation, but they may be willing to sign a rollover contract only if they also trust the firm, hence the rationale for adding these two variables together. Adding reputation and trust to the model increases *R*2 to .278 (Δ*R*2 = .165, *p* < .001), meaning that the model explains 27.8% of the variance in rollover propensity. However, reputation is not a significant predictor of rollover, and perceived value turns from being significant in Model 2 to not significant in Model 3.

Regression analysis was used to investigate whether trust mediates the effect of reputation on rollover propensity. The results indicate that reputation is a significant predictor of trust (*β* = .424, SE = .041, *p* < .001), and that trust is a significant predictor of rollover (*β* = .733, SE = .081, *p* < .001). Thus, it can be concluded that trust mediates the effect of reputation on rollover propensity. After controlling for trust as the mediator, reputation is no longer a significant predictor of rollover (*β* = .105, SE = .076, *p* = .168), consistent with full mediation. Approximately 20% of the variance in rollover is accounted for by the predictors (*R*2 = .204). The indirect effect was tested using a percentile bootstrap estimation approach with 5,000 samples, implemented with the PROCESS macro, SPSS version 3.5. The results indicate a significant indirect effect of reputation on rollover propensity through trust (*β* = .311, SE = .054, 95% CI = .213, .424). In the final model (Model 4), convenience is added. Again, the *R*2 increases, to .377 (Δ*R*2 = .099, *p* < .001), meaning that the final model explains 37.7% of the variance in rollover propensity (see Table 2).

The following variables are significant predictors of rollover: gender (*β* = .10, *p* < .05); education (*β* = .10, *p* < .05); income (*β* = .22, *p* < .001); perceived value (*β* = .09, *p* < .05); trust (*β* = .18, *p* < .01); and convenience (*β* = .48, *p* < .001). For the main study variables, it can be concluded that convenience has by far the greatest influence on consumers’ propensity for RSCs, followed by trust and perceived value. Reputation is the only variable hypothesized as having a positive association with perceived rollover that is not significant, although it is established that trust does mediate the proposed relationship.

**Discussion and implications**

This study investigates the influences on consumers’ attitudes and behavioral intentions toward RSCs. It adopts a perspective that examines how a series of contributors to service loyalty are associated with rollover propensity. In effect, it regards automatic renewal as a form of service loyalty involving repeat purchase, taking account of its attitudinal and behavioral components (Han et al., 2008). In respect to the hypotheses presented, H1, H2b, H2c, and H3 are supported, whilst H2a is rejected.

**Table 1.** Construct correlations, composite reliability and average variance extracted.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Construct | Mean | SD | CR | AVE | Perceived value | Reputation | Trust | Convenience | Rollover propensity |
| Perceived value | 5.87 | .77 | .83 | .55 | .*74* |  |  |  |  |
| Reputation | 5.56 | .91 | .83 | .63 | .46\*\* | .*79* |  |  |  |
| Trust | 5.82 | .95 | .90 | .70 | .27\*\* | .50\*\* | .*84* |  |  |
| Convenience | 5.64 | .94 | .94 | .68 | .41\*\* | .53\*\* | .65\*\* | .*82* |  |
| Rollover propensity | 4.83 | 1.62 | .95 | .88 | .11\* | .29\*\* | .48\*\* | .54\*\* | .*94* |

Notes: SD = standard deviation; CR = composite reliability; AVE = average variance extracted; Correlation significant at \**p* < .05, \*\**p* < .01(2-tailed).

The values in italics on the diagonal are the square root of AVE, and the values under the diagonal are the correlations between constructs.

**Table 2.** Results of hierarchical regression analysis, with rollover propensity as the dependent variable.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Model 1 | | | | Model 2 | | | | Model 3 | | | | Model 4 | | | |
|  | *B* | *SE* | *β* | *t* | *B* | *SE* | *β* | *t* | *B* | *SE* | *β* | *t* | *B* | *SE* | *β* | *t* |
| Gender | .57 | .15 | .18 | 3.73\*\*\* | .54 | .15 | .17 | 3.57\*\*\* | .34 | .14 | .11 | 2.45\* | .34 | .13 | .10 | 2.58\* |
| Education | .11 | .09 | .07 | 1.26 | .11 | .09 | .07 | 1.31 | .01 | .08 | .01 | 0.12 | .15 | .08 | .10 | 2.02\* |
| Income | .17 | .04 | .22 | 4.15\*\*\* | .19 | .04 | .24 | 4.47\*\*\* | .17 | .04 | .22 | 4.54\*\*\* | .17 | .04 | .22 | 4.82\*\*\* |
| Perceived value |  |  |  |  | .21 | .08 | .13 | 2.74\*\* | .02 | .08 | .01 | 0.31 | .15 | .07 | .09 | 2.03\* |
| Reputation |  |  |  |  |  |  |  |  | .09 | .08 | .06 | 1.14 | .08 | .08 | .05 | 1.02 |
| Trust |  |  |  |  |  |  |  |  | .70 | .08 | .41 | 8.62\*\*\* | .30 | .09 | .18 | 3.37\*\* |
| Convenience |  |  |  |  |  |  |  |  |  |  |  |  | .77 | .09 | .48 | 8.13\*\*\* |
| *R*2 | .097 |  |  |  | .112 |  |  |  | .278 |  |  |  | .377 |  |  |  |
| Δ*R*2 | .097 |  |  |  | .016 |  |  |  | .165 |  |  |  | .099 |  |  |  |
| Δ*F* | 14.993\*\*\* |  |  |  | .749\*\* |  |  |  | 47.854\*\*\* |  |  |  | 66.153\*\*\* |  |  |  |

Notes: \**p* < .05; \*\**p* < .01; \*\*\**p* < .001

Therefore, we can establish that perceived value, trust and convenience are all significantly and positively associated with consumers’ rollover propensity, and that whilst reputation is not in our models directly associated with propensity to rollover, it is indirectly related through the mediator of trust.

***Implications for research***

An initial contribution to theory of this research is the development of further understanding of consumers’ behavior when faced with RSCs, an increasingly prominent form of service provision. The study clearly indicates that convenience is the key factor in influencing consumer behavior in rollover decisions, which is consistent with prior service loyalty literature (Kaura, Prasad, & Sharma, 2015). An important aspect of this relates to the existence of switching costs, which make moving away from the current provider inconvenient (Lee & Cunningham, 2001), or inertia thus presenting barriers to leaving RSCs, and therefore increasing the tendency for rollover to be the preferred option. A number of dimensions of convenience are captured in this, particularly a reluctance to spend time and effort looking for new providers, and finding suitable alternatives to the existing service product and provider with which the customer already has a relationship. These are in line with the view that convenience is multi-faceted and that decision making in relation to it is therefore complex (Walsh et al., 2010). In exploring this notion, it is possible to envisage that the consumer may also incur emotional costs of breaking with the current provider, where the relationship becomes an object of positive value for the customer, so influencing the rollover decision (Hennig-Thurau, Gwinner, & Gremler, 2002). This may be particularly pertinent in the setting of service products, where their unique characteristics such as intangibility and heterogeneity may involve greater relative exposure to risk (Laroche et al., 2004), hence potentially increasing the switching costs.

Consumers’ trust in a provider is also an important influence on RSC decisions. Congruent with previous studies in service loyalty (Han et al., 2008; Harris & Goode, 2004), trust is positively associated with contract rollover propensity. When deciding whether to automatically renew, the level of trust that a consumer has built with their provider will influence the decision. So, it is apparent that the extent to which a consumer believes the provider to be trustworthy, through displaying the requisite qualities in their relationship – such as competence, reliability, benevolence, and integrity – will influence the likelihood of automatic contract renewal. Similar to convenience, this can relate to risk and uncertainty reduction in consumers’ services purchasing decisions (Kim et al., 2004). Further to this, trust is identified as playing a mediating role in the relationship between reputation and rollover propensity.

Although it is posited that reputation directly influences consumer acceptance of automatic renewal contracts, our results indicate that the effect is indirectly associated with rollover intended behavior and attitudes through trust, which supports the findings of previous service loyalty studies (e.g. Auh, 2005). Finally, the effect of consumers’ perceived value in rollover decisions was examined and found to be positively associated with automatic renewal behavior. These findings reflect previous studies in service loyalty (e.g. Yang & Peterson, 2004), particularly in regard to any benefits ensuing from ongoing relationships with partners (Lam et al., 2004). Taken together, these findings contribute to service loyalty research, as they provide empirical insights into the specific loyalty scenario offered by the automatic renewal of contracts, and how consumers address this both attitudinally and behaviorally.

***Implications for practice***

Providers need to understand what consumers desire and expect when entering into RSCs, as individuals will only put into the relationship what they anticipate getting out of it, with the hope of maximizing satisfaction (Lee at al., 2014). Thus, it is important for firms to determine how an individual consumer perceives and values price, product features, convenience and incentives, to ensure that each contract has an element of reciprocity that is mutually beneficial.

If firms want to retain consumers using RSCs, the results of this study suggest that they should offer services that deliver convenience, ensure trust and provide perceived value. Understanding the core issues underlying convenience, such as process and relational switching costs, is critical to improving service convenience. Service providers can do much to improve consumers’ actual and perceived convenience. For example, they can make product descriptions and service contracts concise and clearly written, make transactions quicker and easier, and deal with problems and queries quicker and more effectively. Conducting market research may obtain valuable intelligence about consumers’ needs, preferences and expectations, as well as enabling benchmarking against competitors.

Service convenience is often a strong determinant of perceived service quality (Thuy, 2011), and consumers who perceive that they are receiving a high-quality service are more likely to remain loyal to their service provider and accept automatic renewal. Furthermore, many of these consumers will spread positive word-of-mouth, which may bring new consumers to the firm. It is well-known that being regarded as a trusted provider is important in services marketing, but the trend towards more online purchases is likely to make this influence on consumers’ purchasing decisions even stronger in the future. It is therefore imperative that marketing communications are carefully crafted to convey the utility of the relationship with a service provider, based on perceptions of the costs incurred and benefits received.

**Limitations and further research**

The sample used for this study was obtained in a single country, so the results may not be generalizable globally. Furthermore, the cross-sectional research design is not able to capture possible changes in consumer attitudes and behavioral intentions over time, or establish causality in the revealed relationships. Consumers are likely to be more confident in their evaluations of alternative products/providers when they have previous experience of firms’ actual service quality. Thus, a longitudinal research design could incorporate consumers’ responses to experience, as well as situational changes, such as new competitors entering the market and firms’ marketing initiatives. Future studies could also investigate which particular dimensions of convenience have the greatest influence on consumer satisfaction, loyalty and the willingness to sign RSCs. For example, decision convenience is central to consequential and labor intensive services, whereas access convenience is particularly important for inseparable services (Berry et al., 2002). It is possible that consumers make purchase decisions based more on perceptions of actual or likely inconvenience, rather than on judgements about convenience (Farquhar & Rowley, 2009). Thus, marketers should consider how their policies, procedures and operations may cause inconvenience as well as how they deliver convenience.

Although a number of important variables were included in the analysis of consumers’ RSC decisions, there is scope in further studies to examine the effects of other key contributors to service loyalty. It would be particularly pertinent to look at the effects of factors such as service quality and satisfaction on rollover propensity both directly and as mediators, and indeed consider service loyalty itself as having a mediating effect on rollover attitudes and intended behavior. It would be interesting to investigate the influences of such factors on different categories of product, as the nature of a product may impact upon perceived value, trust, customer satisfaction and loyalty (Pandey et al., 2020).

Whereas this research was concerned with a consumer’s initial decision to sign or not sign a rollover contract at the time of initial purchase, future studies could examine a consumer’s renewal/extension decision when a contractual term comes to the end. Such research may consider additional factors such as switching costs/barriers, consumer inertia and habits, and the extent to which convenience motivations drive these. Finally, it would be useful to develop further insights into consumers’ rollover behavior through exploring the effects of some potential moderator variables such as consumers’ personal characteristics like proclivity to risk, and the length of the relationship the consumer has with the service provider.

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