Nice Guys Finish First: an Examination Customer-First Strategies on Consumer Attitudes and Loyalty

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This paper explores the impact of customer-first strategies, those that put the interest of the customer before the immediate interest of the retailer, upon various marketing measures. This “Miracle on 34th Street Effect” is tested through the lens of three theoretical frameworks: Mood Congruency, Reciprocity Norms, and Expectation Management. The results indicate that even in face of economically sub-optimal offers, customer-first strategies result in increased store preference, more positive store and sales associate evaluations, greater resilience to price and negative information, and greater repurchase intention. Future research is proposed regarding the potential moderating impact of perceived authenticity on this effect.

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In a memorable scene from the American classic, “Miracle on 34th Street,” the Macy’s Santa Claus directs prospective customers to a competing store because the competitors’ prices are lower. Customers delighted by Macy’s customer service, choose to shop in-store, despite higher prices. Is this simply cinematic fiction or do nice guys really finish first? This paper explores the impact of customer-first strategies, those that put the interest of the consumer before that of the retail establishment (termed here as the “Miracle on 34th Street Effect”), through the lens of three theoretical frameworks.

The most basic tenet of the norm of reciprocity proposes that people help those who have helped them in the past. Simply put, patrons may feel obliged to return the favor of the salesmen by means of immediate or future purchases or other indirect methods such as positive word of mouth. However, the mood congruency hypothesis offers another possible explanation for the proposed effect. Existing literature on affect indicates people are likely to remember and recall those events that are congruent with their current moods and that people’s social perceptions are mood-congruent. (Bower, 1981). Therefore, an extremely positive interaction with a salesperson might induce a positive mood, leading the customer to act congruently with the positive mood and shop in-store rather than going to a competitor. Finally, we should also consider the concept of disconfirmation of beliefs as a means of expectation management. Typically, customers do not expect salespeople to engage in behaviors that benefit the customer at the risk of the company. This explanation predicts that when expectations based on historical information are compared to the actual consumption experience and are significantly different, prior beliefs are elaborated upon and new attitudes are formed, causing consumers to reappraise the situation and take appropriate action. (Oliver, 1981)

In sum, though the relative strength of these three processes in explaining the Miracle on 34th Street effect is not clear, the outcomes of the three processes are similar. More specifically, it is hypothesized that customers who interact with salesmen exhibiting a customer-first strategy will be more likely to favor the target store: When choosing it over a competitor for an immediate purchase (H1), through more positive evaluations (H2), have more positive evaluations of the sales associate (H3), purchase an unrelated item even when it is costlier at the target store in the future (H4), be resilient to negative information (H5), and tell others about their experiences (H6).

A 2X2 design (sales associate strategy X price difference) was used (n=78) and participants had to imagine that they were using a gift certificate to buy a DVD. In all conditions, the DVD was out of stock at the target store. The sales associate strategy was manipulated by having the sales associate refer the customer to a competitor who carried the DVD in stock (experimental condition) or simply stating that the store was out of stock (control condition). All subjects were then told that they could either purchase the DVD at the target store but would have to wait 1 week while the store ordered it, or they could purchase immediately at a neighboring store, at the same price. Subjects also completed a mood identification scale and a brief exercise that probed them about their schema of sales associate behavior. In the second part of the survey, participants were first asked how likely they were to make a second unrelated purchase (CDs) at the target store or competitor store. Price difference was manipulated so that the price of the target product was either identical at both stores or about 7% higher at the target store. Next, they were asked about a third unrelated purchase with a similar price manipulation. In the third section of the study, participants were given a fourth scenario involving a friend’s purchase where negative information regarding the target store was presented. The four parts of the study were separated by distracter tasks to create temporal and cognitive distance from each other.

Data analysis provided support for H1-H3, wherein participants in the customer-first strategy (experimental) condition were more likely than control participants to choose the target store over the competitor $F(1, 78)=7.77, p<.01$, even though this required a one week wait and the same DVD was available at a neighboring store in the mall. Furthermore, participants in the experimental condition had more positive store, $F(1, 78)=46.449, p<.00$, and sales associate evaluations, $F(1, 78)=36.588, p<.00$, were more likely to make a second unrelated purchase of CDs at the target store or competitor store. Price difference was manipulated so that the price of the target product was either identical at both stores or about 7% higher at the target store. Next, they were asked about a third unrelated purchase with a similar price manipulation. In the third section of the study, participants were given a fourth scenario involving a friend’s purchase where negative information regarding the target store was presented. The four parts of the study were separated by distracter tasks to create temporal and cognitive distance from each other.

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This study provides us with preliminary support for two of the process explanations proposed. There seems to be evidence for a mood congruency effect as subjects in the experimental condition had significantly more positive moods than their counterparts, $F(1, 78)=103.183, p<.00$. However, there also seems to be evidence for an expectation management explanation. When asked the extent to which the sales associate’s behavior was typical of most sales associates, experimental subjects were more likely to find the behavior atypical than their counterparts, $F(1, 78)=56.551, p<.00$. They were also more likely to indicate that the sales associate exceeded their expectations, $F(1, 78)=61.432, p<.00$.

It is not very clear as to whether the norm of reciprocity was a factor in subjects’ purchase decisions and store evaluations. While subjects in the experimental condition were more likely to make a second unrelated purchase at the target store, $F(1, 78)=60.388, p<.00$ they were also more likely to choose the target store over the competitor for a third unrelated purchase, $F(1, 78)=8.088, p<.00$. If the norm of reciprocity is strictly transactional, the customer need only make one more purchase at the target store). However here each participants felt obligated to extend other favors (a third purchase) or there were other factors in play.

The findings and discussion in the present paper are preliminary and merit future research effort. Future studies planned will test the process explanations more directly by manipulating their presence or absence. It is also possible that the explanations work in conjunction...