The Consequences of Retailer Vs. Media Communication About the Use of Intrusive Marketing Practices on Customer Attitudes, Satisfaction, Trust and Loyalty

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This research lays-out the following dilemma for a retailer: Either to openly communicate about implementing in-store a personal data collection technology perceived by customers to be intrusive, possibly leading to lower customer satisfaction and less favorable attitudes; or to refrain from communicating such information with the possible consequence of facing a decrease in customer trust and loyalty following a later communication by the media. Findings show that communication by the firm negatively impacts attitude and satisfaction, while later communication by the media negatively impacts trust and loyalty. Compensation given by the retailer is shown to positively moderate the impact of communication.

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results of our study may have strong managerial implications, given that customers may not be as satisfied with their choices when these choices were influenced by the employees’ characteristics, and their reduced satisfaction with the choice could influence their overall satisfaction with the experience and the firm.

References


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This study is encompassed in a broader research that investigates the boundaries of privacy and intrusiveness and differentiates their specific influence on consumer attitudes and customer-firm relationship constructs. Privacy has been extensively studied (Culnan, 1993; Dahl, Manchanda, & Argo, 2001; Hoffman & Novak, 1999; Phelps, Nowak, & Ferrell, 2000; White, 2004). Despite confusions between the two concepts by a number of authors, privacy can be defined as the perceived control over one’s personal information and control over unsolicited presence of others (Goodwin, 1991), and intrusiveness as the interruption of a process (Li et al., 2002). Intrusiveness is considered to have deep implications on customer-firm relationships and in advertising (Aaker & Bruzzone, 1985; Edwards, Li, & Lee, 2002; Ha, 1996; Wang and Calder, 2006).

This study focuses on the impact that communication about the use of a data collection method, perceived to be intrusive, may have on consumers’ attitudes, satisfaction, trust and loyalty. In this study, intrusiveness is contextualized in a retail environment, following the work of Larson, Bradlow and Fader (2005) and Klabjan (2005). The retail context provides flexibility to manipulate compensation, communication, and intrusiveness. Intrusiveness is operationalized in the form of a data collection method based on RFID7 technology, earlier findings having revealed that RFID elicits high levels of perceived intrusiveness. Due to RFID’s reported salient effect on consumers, it can be expected that individuals informed about the presence of such intrusive data collection method in the retailing environment, will report less favorable attitudes and satisfaction concerning their shopping experience, than if unaware of RFID’s presence.

H1: Individuals’ attitudes and satisfaction toward the retailer are less positive when information about the existence and purpose of an intrusive consumer data collection method is provided by the retailer, than when no information is provided

Building on the social exchange theory (Emerson 1981; White, 2004), it can be argued that intrusiveness effect can be outweighed (moderated) by an expected benefit, such as a compensation given to consumers. Individuals were shown to value compensations differently (Davis, Bagozzi and Warshaw, 1989), thus, different compensation types can be expected to arouse differently attitudes and satisfaction. Three types of compensations, economic, functional and hedonic, are defined in the literature (Gefen, Karahanna, and Straub, 2003; Moon and Kim, 2001). Younger individuals were shown to be more sensitive to economic rewards than more mature individuals, who may seek to experience diversity and service quality (Venkatesh et al. 2003). Economic compensation was thus retained in this study, based on a student sample, as it is expected to outweigh perceived intrusiveness, positively affecting attitudes and satisfaction.

H2: Individuals’ attitudes and satisfaction toward the retailer are unaffected by information provided by the retailer about the existence and purpose of an intrusive consumer data collection method, when economic compensation is provided

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Misleading communication can be perceived by consumers as deceiving (Darke & Ritchie, 2007). Hiding the purpose of or existence of data collection practices will likely be perceived by consumers, upon awareness, as misleading, and may elicit feelings of irritation or betrayal, thus generating lower levels of trust and loyalty. Conversely, if the retailer openly communicates, consumer’s levels of trust and loyalty may remain unchanged:

**H3:** Individuals' level of trust and loyalty remain unaffected when the retailer communicates openly about its data collection practices; it is negatively affected when the communication is made by a third party (media)

A scenario-based experiment was carried out among a group of 79 students, to test the hypotheses. Portrayed goods and store type were chosen to be familiar to respondents. To assess the effects of communication / no communication (H1), and of compensation (H2) on attitudes and satisfaction, respondents were placed in one of two scenarios: either the retailer informed them about the use of RFID (placed on shopping carts and product packagings), or there was no information provided. Three types of compensations (economic, functional or hedonic) were proposed by the retailer as means to arouse their attitude and satisfaction positively. To test retailer-induced vs. media-based communication on consumers’ trust and loyalty (H3), respondents were placed in one of two scenarios: either the retailer informed them about the use of RFID, or they were later informed by the press about it. Loyalty and trust in the retailer were measured at different times with one hour interval. Validated Likert scales were used to measure every construct, reporting satisfactory Alphas. Manipulation checks were successful and intrusiveness was controlled: no RFID ($M=4.07, SD=1.47$) vs. RFID ($M=5.12, SD=1.21, F(1,40)=6.29, p=0.016$). ANOVAs and paired-sample t-tests were run to test the hypotheses.

**H1** is supported. The averages of the three attitudes (under economic, functional and hedonic compensation) were calculated, lower attitudes toward the retailer under the retailer-communication scenario ($M=4.30, SD=1.42$) than under the no-communication scenario ($M=5.25, SD=1.17, F(1,40)=5.48, p=0.024$) were confirmed. Similarly, lower levels of satisfaction were confirmed under the retailer-communication scenario ($M=4.06, SD=1.23$), than under the no-communication scenario ($M=5.02, SD=1.13, F(1,40)=6.99, p=0.012$).

**H2** is supported. No significant attitude change was reported between the no-communication scenario ($M=5.30, SD=1.49$) and the retailer-communication scenario ($M=4.66, SD=1.73, F(1,40)=1.632, p=n.s.$). Also, no significant change in satisfaction occurred, despite the communication: no-communication ($M=5.15, SD=1.36$); retailer-communication ($M=4.50, SD=1.60, F(1,40)=1.955, p=n.s.$).

**H3** is supported. Regarding trust: under the retailer-communication scenario, prior trust ($M=3.77, SD=1.32$) is not significantly higher than trust after stimulus ($M=3.66, SD=1.18, t(20)=0.51, p=n.s.$). Under the media-communication scenario, prior trust ($M=4.03, SD=1.032$) is significantly higher than trust after stimulus ($M=3.27, SD=1.25, t(36)=4.40, p<0.001$). Regarding loyalty: under the retailer-communication scenario, prior loyalty ($M=4.43, SD=1.34$) is not significantly higher than loyalty after ($M=3.92, SD=1.48, t(20)=1.54, p=n.s.$). Under the media-communication scenario, prior loyalty ($M=4.84, SD=1.33$) is significantly higher than loyalty after ($M=3.58, SD=1.70, t(36)=4.98, p<0.001$).

This research reveals the dilemma of choosing between disclosing truthfully the use of intrusive data collection methods knowing the impact on attitudes and satisfaction, and deciding not to communicate and bear the risk of a significant decrease in the levels of trust and loyalty should customers learn about the use of intrusive methods from a third party. These results encourage pursuing the research by manipulating new moderating variables over a heterogeneous population.

References


