Consumer Reactions Towards Preferential Treatment

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We investigate consumers’ responses towards receiving preferential treatment. We show that social discomfort can emerge when the treatment is experienced in public. This effect is moderated by whether the treatment is witnessed, and how justified it is. We suggest the mechanism is a concern about unfavorable evaluations from other consumers.

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Roll Out the Red Carpet:
The Impact of Customer Treatment on Judgment and Decision Making
Session Chair: Chen Wang, University of British Columbia, USA

Paper #1: Consumer Reactions towards Preferential Treatment
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SESSION OVERVIEW
One of the most important elements in sales success lies in customer treatment in a retail setting (Crosby et al. 1990; Dwyer et al. 1987). It has been suggested that how consumers are treated and served during their purchase experiences greatly influences their subsequent judgment and decision making (Crosby et al. 1990). Despite its significance in practice, customer treatment has received little attention in consumer research. Existing research on consumer behavior in a sales context has primarily focused on the consumption outcomes as well as the outcomes’ impact on consumers’ future decisions (Keilier et al. 2000). However, much remains to be learned about how the means (e.g., how consumers are treated and served during a sales experience) influence various outcomes (e.g., consumers’ judgment and decision making).

In an attempt to advance our understanding of the impact of customer treatment, this session brings together four papers that provide insights on how consumers are treated and served during a sales experience may influence their judgment and decision making. Specifically, this session investigates the following questions: How do consumers’ responses towards the service change when they are treated with extra benefits during a purchase? How do consumers’ evaluations of persuasion tactics change when they are confronted with salespeople’s persuasion attempts? How does consumers’ satisfaction towards a shopping experience change if they are served by a salesperson versus a sales team, and further, a coordinated team versus an uncoordinated team?

In the first paper, Jiang, Hoegg, and Dahl investigate consumers’ responses towards the service when they are receiving extra benefits from a salesperson. They show that such preferential treatment can produce social discomfort when the treatment is experienced in a public environment. This effect is moderated by whether the treatment is witnessed, as well as how justified it is.

In the second paper, McFerran and Argo also explore consumers’ responses towards preferential treatment by focusing on another beneficiary group – guests of VIPs. They demonstrate a “status by association” effect, such that the preferential treatment makes the guests experience the same (or more) status than their sponsor. Further, this effect is moderated by the ambiguity of the true identity of the status holder, and the guest’s social distance from the VIP.

In the third paper, Xie, Rank, and Grayson examine consumers’ evaluations of persuasion tactics when they are confronted with salespeople’s persuasion attempts. They find that consumers’ persuasion knowledge can moderate the target-observer asymmetry regarding perceived effectiveness of persuasion tactics. The moderation effect is mitigated when consumers are motivated to maintain or enhance positive self-perception.

Finally, in the fourth paper, Wang, Hoegg, and Dahl investigate consumers’ satisfaction when they are treated with team service. They show that either a behavioral entitativity cue (e.g., coordinated behaviors among team members) or a physical entitativity cue (e.g., wearing the same uniform) of a sales team may enhance customer satisfaction. However, a sales team that lacks perceived coherence may undermine customer satisfaction, compared to a sales individual. Further, they demonstrate that the two entitativity cues may jointly determine customer satisfaction towards the service.

We believe that this session will appeal to a wide audience at ACR. There has been a relative dearth of consumer research on the impact of customer treatment. This session advances the literature by investigating various topics in customer treatment (e.g., preferential treatment, persuasion attempts, team service), and by providing insights on how each treatment may affect consumers’ judgment and decision making. All research is in advanced stages – sixteen studies in total with three to five studies in each paper. Further, this session echoes the conference mission of appreciating diversity by including a variety of topics while maintaining a coherent theme, and by embracing research collaborated by researchers across the U.S. and Canada.

Consumer Reactions towards Preferential Treatment
EXTENDED ABSTRACT
Preferential treatment, where some people but not others are offered extra benefits, is a common phenomenon in consumption contexts, such as shopping in a store or dining in a restaurant. If you were the beneficiary in these contexts, how would you feel about receiving such preferential treatment in front of other people who do not receive the benefits? Conventional wisdom, management practice, and prior research would suggest you should be more satisfied (Lacey, Suh and Morgan 2007; Homburg, Droll and Totzek 2008; Dreze and Nunes 2009). However, we suspect that satisfaction with receiving preferential treatment may be a function of the context in which the treatment is received. In particular, we argue that the nature of the environment in which preferential treatment is offered and the basis on which the customer is selected can dramatically alter consumer evaluation of the experience.

We propose that customers’ feelings and behaviors when they are treated preferentially in a public environment would be different from the outcomes in a private environment. More specifically, when preferential treatment is received in the presence of other consumers who do not receive such treatment, concerns about unfavorable evaluations from other individuals could lead to feelings of social discomfort (Miller and Leary 1992; Dahl et al. 2001). These feelings would accompany any positive emotions associated with receiving
special treatment, potentially lowering satisfaction and altering consumption behavior. When no other consumers are present, however, these negative consequences should not materialize. Moreover, we argue that consumers will feel concern about negative impressions from others and experience the subsequent feelings of social discomfort when they receive a preferential treatment that lacks justification and is offered in a setting with a social audience that witnesses the behavior.

Studies 1A and 1B tested the idea that although consumers believe that they will feel only positive emotions after receiving preferential treatment, the actual experience can involve a mix of both positive and negative emotions when the preferential treatment is offered in the presence of others. The two studies utilized the same 2 (treatment: preferential vs. common) x 2 (environment: social presence vs. no social presence) between-subjects design, and the same shopping scenario, with the only difference being that Study 1A was a hypothetical case but Study 1B was a real experience. Social presence was manipulated by whether there were other customers in the shopping environment. In this shopping scenario, participants received a 25% discount through a random “scratch and save” draw. In the preferential condition, they were told that they are the only customer getting the deal, but in the common condition, everybody got the deal. Results from the hypothetical study (1A) showed that people assume that receiving preferential treatment will increase their satisfaction, whether in public or private. Interestingly, when actually experiencing the preferential treatment (1B) in a social environment, participants reported both negative and positive emotions and the negative feeling of social discomfort mitigated their overall satisfaction and reduced actual purchase.

Study 2 tested two factors that moderate the negative outcomes of preferential treatment, i.e., witness and justification of preferential treatment. In this study, participants visited a booth, where a local retailer was giving away three personal care product samples. The preferential treatment was the extra sample offered. In the justified condition, extra samples were offered because of their loyalty status. In the non-justified condition, they were offered without any explanations. We also distinguished two types of social presence, i.e., witness and no witness. Results showed that an individual who accepts preferential treatment without justification bears the risk of appearing undesirable, and when being witnessed by people who do not receive the same benefits, can feel socially uncomfortable. However, the feeling of social discomfort diminishes when there is no witness, even though there may still be other people present.

In study 3, we revisited the discrepancy between Studies 1A and 1B, and examined why people cannot predict the social discomfort when asked to imagine receiving preferential treatment in a social environment. We proposed that the failure to recognize these negative emotions is due to a processing mindset that results in a tendency to overlook background or contextual information when making predictions about an event. In the study, we manipulated people’s processing mindsets to process events in either a holistic or analytic manner. Results showed that when people imagined a scenario and made an appraisal, their responses resembled the case when they were prompted to adopt an analytic mindset. When promoted to adopt a holistic mindset, their appraisal of the situation was closer to the real experienced responses.

This research contributes to the literature on preferential treatment, social influence, and focalism bias. We demonstrated that social discomfort can emerge when preferential treatment is experienced in a public environment. Moreover, adopting a holistic mindset enables people to capture the social elements and predict more accurate responses.

**Status By Association**

**EXTENDED ABSTRACT**

Status and social hierarchies are ubiquitous in human societies. In marketing, status is commonly signalled by brand names, but it can also be endowed by loyalty program rewards, where certain customers receive a disproportionate share of a firm’s attention or resources. This preferential treatment can take for example the form of dedicated check-in lines, special discounts, and exclusive lounges for profitable/loyal customers – treatments which are designed to make these individuals feel special. While research has examined the implications of consumers receiving versus not receiving preferential treatment (i.e., VIPs vs. non-VIPs), the present research diverges by examining a third group of consumers: guests of VIPs. Guests are individuals who share in the preferential treatment received by VIPs not because they have earned this right due to their brand loyalty or purchase volume, but rather because many loyalty programs entitle a VIP to bring others (e.g., family member, friends, colleagues). For example, such guests might include a spouse of a frequent flyer receiving lounge access or working-class staff receiving an opportunity to enjoy the corporate box at a sporting event. Do these guests feel “special” and what consumption implications does this have? When should reward programs allow consumers to bring guests?

We propose a “status by association (SBA)” effect, such that status can extend from a “true deserver” to the individual’s associates. Support for why status may rub off on those around them comes from research on emotional contagion (Hatfield et al. 1994; Neumann and Strack 2000; Ramanathan and McGill 2007), spontaneous trait transference (Argo and Main 2008; Winter and Uleman 1984) and contagion effects (Argo et al. 2006; 2008). We conduct four studies to demonstrate both how and when status contagion is likely to occur, and its impact on the likelihood of spreading positive word-of-mouth.

In Study 1, we demonstrate the tendency for the status by association effect (SBA) to occur. This study used a one-factor design with four between-subject levels. Participants read a scenario indicating that they are planning on attending a nightclub [a common service experience for this population, as well as one that frequently has benefits of status (e.g., VIP sections, free beverages, special entrances)]. In the scenario, participants read that upon arrival they notice that there is a long line at the nightclub. In the self condition, participants read that they have a VIP card that allows them to jump the line. In the friend condition participants read that their friend has a VIP card that allows both of them to skip the line. In the same benefit control condition, the participant knows someone who is already at the front of the line so the participant will get in right away and will not have to wait (i.e., no status but still get to cut the line). In the no benefit control condition, participants arrive before the line forms, so access is gained into the club without waiting (i.e., no status but no special and/or negative treatment). Results demonstrate that individuals feel more status in both the self and friend conditions (which do not differ from one another) as compared to the two control conditions.

Study 2 identifies a boundary condition for the effect, namely the ambiguity of the true identity of the status holder. Specifically, we predict that when the identity of the true status holder is unclear, greater SBA should occur. This is because we derive satisfaction from the exhibition of goods rather than mere ownership (Veblen 1899; Mason 1981). A 2 (holder of the status marker: self vs. friend) x 2 (ambiguity of the true identity of the status holder: high vs. low) between-subjects design tested our predictions. The procedure mirrored the “self” and “friend” conditions from Study 1, with the fol-
following exception: in the scenario when the other patrons in line see the participant entering ahead of them, it was made either ambiguous or unambiguous to other patrons as to who is the true cardholder. We also assess positive WOM intentions as an additional dependent measure. Results revealed an interaction, where the greatest status was (equally) felt by VIPs in the unambiguous condition and guests in the ambiguous condition. Further, greater status mediated increased WOM intentions.

Study 3 was similar to study 2, except that we also manipulated social distance of the guest (close friend vs. distant acquaintance), in a 2x3 design. Results revealed an interaction, where ambiguity mattered for both VIPs and socially distant guests (same pattern as Study 2), but ambiguity had no effect for socially close guests: they felt equal status regardless. Again, increased WOM intentions were mediated by felt status.

Study 4 is a field study of status contagion involving both the owner and guests in real luxury suites at a professional football game. Respondents self-identified as either owners or guests of the suite in a survey. We also assessed a different type of social distance (friends of friends). Results reveal that guests feel more status than owners, regardless of whether they were actual friends or merely friends of friends. Again, higher felt status mediates higher WOM intentions. Moreover, this effect is negatively related to the number of games people have watched from the suite (i.e., more games, lower felt status and low WOM intentions), suggesting that status decays over time and that WOM is harder to cultivate among long-standing status holders. Finally, results also reveal that guests use marginally fewer of the suite’s perks, suggesting that they are not more expensive to service. Collectively, our results show that frequent status holders may require more and more perks to feel the same felt status over time as a person who only experiences VIP treatment on a single (or very few occasions).

In sum, our research suggests that there may be a significant return in the form of positive WOM from status contagion without the incurrence of a large cost. Thus, allowing VIPs to bring guests may be more beneficial than firms might think.

Target-Observer Asymmetry in the Use of Persuasion Knowledge

EXTENDED ABSTRACT

Persuasion knowledge (PK) aids consumers when responding to persuasion attempts as “targets” or “observers” (Friestad and Wright 1994). Research has documented the “target-observer asymmetry” of perceived sincerity of marketers due to consumer suspicion of marketers’ ulterior motives (Campbell and Kirmani 2000). That is, consumer “targets” are cognitively busier than “observers”, and therefore the former become less suspicious when persuasion knowledge is not accessible. When persuasion knowledge is accessible, the asymmetry becomes less salient.

The purpose of this research is to examine the target-observer asymmetry in regard to consumer judgment about the effectiveness of persuasion tactics. In five studies, we find consumers with low PK rate persuasion tactics as more effective as an observer than as a target. In contrast, high PK consumers, rate the tactics effective despite the target/observer perspective. However, when the notion of “being influenced by tactics” is activated, consumers are motivated to maintain or enhance positive self-perception. As a result, PK-induced moderation effect is mitigated.

In study 1, participants were presented with a scenario in which a consumer is shopping for wine. They were asked to evaluate the scenario from either a target or an observer perspective. The store employee presents the consumer with a more expensive bottle of wine, while warning that is the last bottle. Next, participants rated the extent to which the tactic would affect the consumer’s purchase decision, followed by an individual difference scale of PK (Bearden et al. 2001). Results suggest low-PK participants rated the tactic more effective as an observer than as a target. High-PK participants’ rated the tactic equally effective as an observer or target. In study 2 and 3, we examined if accessibility of persuasion knowledge and cognitive business account for the observed PK moderation effect.

In study 2, participants read the same scenario with accessibility of persuasion knowledge being primed (or not). Prior to the scenario, half of the participants saw a screen shot of a website that suggested a discount offer would be expiring (primed). They then saw the same screen shot suggesting the offer would be ending on a different day, after the pervious deadline had passed. The other half participants read the scenario directly (not primed). Results replicated the moderation effect of PK; but the priming had no significant effect on perceived effectiveness.

In study 3, participants read the scenario from the observer perspective. Cognitive capacity was manipulated by asking participants to remember a set of numbers (or not) while reading the scenario. The results suggest both high-PK/busy and high-PK/non-busy participants rated the tactics as equally effective. The pattern remains the same for the low-PK participants. These results suggest accessibility or cognitive busyness does not necessarily account for the observed PK moderation effect. In study 4 and 5, we further explored a motivational account based on self-concept enhancement.

In study 4, participants first completed a “persuasion IQ test” (i.e., ten ambiguous multiple-choice questions about the knowledge of persuasion tactics). Right after the test, they were given feedbacks that they were very knowledgeable (i.e., 9 out of 10 correct) or not knowledgeable (i.e., 4 out 10 correct). Next, they read the same scenario from study 1. A 2 (Feedback: positive vs. negative) X 2 (Perspective: target vs. observer) X 2 (PK: high vs. low) three-way interaction was significant. Specifically, when feedback was positive, both high- and low-PK participants rated tactics as more effective as an observer than as a target. When the feedback was negative, the observed pattern in study 1 and 2 was reversed: high-PK participants rated the tactic more effective as an observer than target; low-PK participants rated the tactic equally effective as an observer or target.

In study 5, participants were presented with a different scenario in which a store employee flatters a consumer for his/her choice of clothing before or after the purchase decision (Campbell and Kirmani 2000). A 2 (Flattery: before vs. after purchase decision) X 2 (Perspective: target vs. observer) X 2 (PK: high vs. low) three-way interaction was significant. When flattery was made before the purchase decision, both high- and low-PK participants rated the tactic more effective as an observer than target. When flattery was made after the purchase decision, the moderation effect of PK was replicated. Combined, these results suggest PK can moderate the target-observer asymmetry in the perceived effectiveness of persuasion tactics. The effect can be mitigated when consumers are motivated to maintain or enhance positive self-perception. This research extends the literature by revealing a motivational account underlying the target-observer asymmetry in the use of PK.

The Impact of Sales Team’s Perceived Entitativity on Customer Satisfaction

EXTENDED ABSTRACT

Team-based selling has been a growing sales strategy (Cummings 2007). Surprisingly, although the team approach is highly
Entitativity refers to the degree to which a social collection is perceived as having “the nature of an entity” (Campbell 1958). Prior research has suggested two distinct cues to entitativity perception. Behavioral-based entitativity contends that coordinated collective behaviors among group members imply common goals, leading to increased entitativity perceptions (Ip et al. 2006). Physical-based entitativity posits that similarity in physical characteristics indicates common traits, also resulting in greater perceived entitativity (Dasgupta, Banaji, and Abelson 1999). Building on these findings, we hypothesize that either a behavioral-based entitativity cue (e.g., coordinated behaviors among team members) or a physical-based entitativity cue (e.g., wearing the same uniform) results in enhanced customer satisfaction.

Further, we predict that the interaction between the two entitativity cues is multiplicative. Specifically, the team produces the greatest customer satisfaction when both cues indicate high entitativity. However, customer satisfaction is undermined if either cue suggests low entitativity. We argue that such effects occur because a low (versus high) entitativity cue is more diagnostic in making entitativity judgment. According to schematic processing (Reeder and Brewer 1979), whenever a low entitativity cue exists, perceivers would use it as diagnostic information to conclude that the group is no longer cohesive and unified, leading to lower customer satisfaction. Further, such interaction on customer satisfaction is mediated by the team’s perceived entitativity.

Study 1 tested the impact of the behavioral entitativity cue on customer satisfaction. We operationalize the behavioral cue by a salesperson’s rationalized referral (e.g., lack of expertise) of another salesperson. We employ a 2 (indication of low expertise: yes vs. no) x 2 (referral: yes vs. no) between-subjects design. Participants read a scenario in which they went to purchase an electronics product. The salesperson either introduced another salesperson for further service (team conditions) or served the customer himself (control condition). The physical cue of the salespeople was manipulated by presenting their pictures in the narrative. Participants were asked to indicate whether the salesperson with the service. As predicted, results revealed that the sales team in the same uniform produced higher customer satisfaction than the team in different uniforms, and the individual salesperson. The contrast between the latter two conditions was also significant, indicating that the team in different uniforms actually impaired customer satisfaction, compared to the individual.

Study 2 examined the impact of physical entitativity cue on customer satisfaction. We employed a one factor between-subjects design (same uniform vs. different uniforms vs. one salesperson-control condition). Participants read a similar scenario in which they went to purchase an electronics product. The salesperson either introduced another salesperson for further service (team conditions) or served the customer himself (control condition). The physical cue of the salespeople was manipulated by presenting their pictures in the narrative. Participants were asked to indicate their satisfaction with the service. As predicted, results revealed that the sales team in the same uniform produced higher customer satisfaction than the team in different uniforms, and the individual salesperson. The contrast between the latter two conditions was also significant, indicating that the team in different uniforms actually impaired customer satisfaction, compared to the individual.

Study 3 investigated the interaction between physical and behavioral cues on customer satisfaction. We used a 2 (indication of low expertise: yes vs. no) x 2 (uniform: same vs. different) between-subjects design. We shot a video featuring a similar scenario, in which a salesperson either indicated his low expertise in the product before introducing the second salesperson, or directly referred the customer to the second salesperson without any rationale, and the team wore either the same or different uniforms, depending on condition. Participants were asked to indicate their satisfaction towards the team and each salesperson. Entitativity was measured by the extent to which the two salespeople were perceived as a coherent group. Results revealed a significant interaction between physical and behavioral cues on customer satisfaction. Consistent with the multiplicative effect, the team produced the greatest customer satisfaction when both cues indicated high entitativity. However, customer satisfaction was undermined if either cue suggested low entitativity. Mediation analysis confirmed the mediating role of perceived entitativity. More interestingly, a super-additive effect was found when both cues suggested high entitativity. Specifically, when the team employed rationalized referral and wore the same outfit, customer satisfaction towards the team was greater than the average satisfaction towards the individuals.

This research contributes to the team-selling literature as well as advances entitativity research by examining the impact of sales team’s perceived entitativity on customer satisfaction, and by demonstrating a multiplicative effect when the two entitativity cues interact.