First Come, Last Serve: How Does Power Distance Influence Non-Loyalty Status Customers’ Satisfaction With Businesses?

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We examine how power distance belief (PDB) – the prevalence of inequality in society – affects consumers’ satisfaction with loyalty programs. Five studies support the counterintuitive hypothesis that high (vs. low) PDB contexts decrease, rather than increase, non-loyalty-status consumers’ satisfaction with such businesses, and illuminate the underlying mechanisms.

[to cite]:

[url]:
http://www.acrwebsite.org/volumes/1015601/volumes/v41/NA-41

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The Role of Power Distance in Influencing Non-Loyalty Status Customers’ Satisfaction

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EXTENDED ABSTRACT

Loyalty programs are increasingly being preferred by businesses as a tool to increase customer retention (Dreze and Nunes 2009). We explore how power distance belief – the extent to which hierarchy and inequality is prevalent in society – influences non-loyalty-status consumers’ satisfaction with businesses that offer loyalty programs (Hofstede 1980, 2001).

Current conceptualizations of power distance suggest that, because they expect and observe inequalities, non-loyalty-status customers in high (vs. low) power distance contexts would be more tolerant of preferential treatment given to loyalty status consumers. Hence, they should be less dissatisfied when loyalty-status consumers receive priority. Contrary to this hypothesis, we suggest that in high (vs. low) power distance contexts, people low in the social hierarchy dislike being at the low end of the rung, and desire equality. Hence, they are more dissatisfied with businesses giving preferential treatment to loyalty-status consumers (H1).

Although research has not directly explored the link between power distance and desire for equality, some limited research points to the relationship. Based on a study of 116,000 respondents from over 50 countries, Hofstede (2001) suggested that inequality is rarely considered desirable and especially so in high power distance contexts. Similarly, Carl et al. (2004) found a negative correlation between the level of inequality in a country (which they referred to as power distance-in-practice) and its citizens’ desire for hierarchy (which they referred to as power distance-values). Accordingly, we propose and find that because consumers in high (vs. low) power distance contexts have a stronger desire for equality, the inequality of loyalty programs affects consumers in high (vs. low) power distance contexts more negatively. In brief: non-loyalty-status consumers’ desire for equality mediates power distance’s effects on their satisfaction with businesses that offer loyalty programs (H2).

Furthermore, we identify boundary conditions that strengthen our conceptualization and moderate the effects of power distance on non-loyalty-status consumers’ satisfaction. First, when non-loyalty-status consumers in high (vs. low) power distance contexts are informed that loyalty-status consumers are older, they become more satisfied with businesses that give preferential treatment to such elderly consumers. People in high (vs. low) power distance contexts believe that the elderly – who are considered to be less powerful – need to be uplifted from their current state to attain the objective of equality (i.e., non-loyalty status consumers in high power distance contexts desire equality for the elderly, as opposed to themselves). Hence, we propose: when the old age of loyalty-status consumers is highlighted, non-status consumers in high (vs. low) power distance contexts are more satisfied with businesses (H3).

Second, when non-loyalty-status consumers perceive loyalty-status consumers to be wealthier, power distance does not influence their satisfaction with businesses offering loyalty programs. We propose that when loyalty-status consumers’ wealth is highlighted, non-loyalty-status consumers in high power distance contexts believe that they cannot match status consumers. Hence, their desire for equality is mitigated, and their dissatisfaction is reduced. In brief, we propose: highlighting loyalty-status consumers’ wealth attenuates high (vs. low) power distance non-loyalty-status consumers’ satisfaction with businesses that offer loyalty programs (H4).

A multi-method approach was used to establish reliability and generalizability across four studies. In study 1, a regression analysis revealed a significant effect of non-loyalty-status participants’ power distance ($\beta = -0.36, t(55) = -2.82, p < .008$) on their satisfaction with businesses that give preferential treatment to loyalty-status consumers, supporting H1. In study 2, we again found a significant negative effect of power distance on non-loyalty-status consumers’ satisfaction ($\beta = -0.18, t(136) = -0.43, p < .04$). We also found that non-loyalty-status consumers’ power distance has a significant positive effect on their desire for equality ($\beta = .37, t(136) = 4.63, p < .001$). Non-loyalty-status consumers’ desire for equality has a significant negative effect on their satisfaction ($\beta = .23, t(136) = -3.1, p < .007$). When both power distance and desire for equality are included as the independent variables, non-loyalty-status consumers’ desire for equality has a significant negative effect on satisfaction and power distance has a non-significant effect on satisfaction. The four regression analyses together suggest that desire for equality fully mediates the effect of power distance on consumers’ satisfaction with the business (Baron and Kenny 1986).

In study 3, we highlighted (vs. not) the old age of loyalty-status consumers and found evidence for a reversal effect. A regression revealed a significant interaction between power distance and old age highlighted (vs. not highlighted) ($\beta = .346, t(72) = 3.13, p < .004$). In the old age not highlighted condition, non-status consumers in high (vs. low) power distance contexts were less satisfied with the business ($M_{\text{high}} = 3.73, M_{\text{low}} = 5.28; F(1,31) = 2.32; p > 0.03$); however, in the old-age-highlighted condition, they were more satisfied ($M_{\text{high}} = 4.94, M_{\text{low}} = 3.77; F(1,41) = -2.08; p < 0.05$), supporting H3.

Study 4 examined the moderating role of highlighting loyalty-status consumers’ wealth. A regression revealed a significant interaction between power distance and loyalty-status consumers’ wealth highlighted (vs. control) ($\beta = .44, t(41) = 2.73, p < .01$). In the control condition, power distance was negatively associated with participants’ satisfaction with the office supply company ($r = -.46, p < .03$); this association was non-significant in the wealth-highlighted condition ($r = .32, p > .15$). These results support H4.

These findings support our framework and suggest that loyalty programs have a stronger negative effect on high (vs. low) power distance non-loyalty-status consumers’ satisfaction. Further, high (vs. low) power distance consumers’ desire for equality mediates the effect. Finally, we have provided support for two moderators for the relationship.

REFERENCES


