Double-Edged Nature of Free Perks: Consumer Entitlement and Its Consequences in the Marketplace

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In this paper we argue that preferential treatment elevates the sense of entitlement among consumers which leads to questionable behaviour across different domains. We study the effect of entitlement on different groups of customers based on their past relationships with a firm and examine why this effect occurs.

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EXTENDED ABSTRACT

Preferential treatment, where some people but not others are offered extra benefits, is a common phenomenon in consumption contexts. Sometimes preferential treatment is based on past history of customers’ relationships with a firm and is somehow “earned” through past iterations. In other cases (e.g. getting an unexpected hotel or airline upgrade, instant scratch-and-save promotions) such treatment may be perceived as unearned and socially uncomfortable (Jiang, Hoegg, and Dahl 2013).

Although positive effects of loyalty-based preferential treatment with respect to customer satisfaction and elevated status are well established in the literature (Dreze and Nunes 2009; Lacey, Suh, and Morgan 2007), the effects of unearned preferential treatment are less-studied and hence less clear.

In the present research we explore companies’ use of preferential treatment strategies and study how consumer reactions to such experiences can differ depending on their type of relationships with a focal firm. In this work we define customer entitlement as customers’ claims for extra effort from a company based on the belief that they deserve it (Wetzel, Hammerschmidt, and Zablah 2014). High levels of psychological entitlement are linked with negative outcomes such as selfish and aggressive behavior in anecdotal reports and existing research (Campbell et al. 2004).

In the present study we argue that in the marketplace higher entitlement is associated with higher propensity to behave opportunistically. Following recent publications, we show that entitlement can be a dynamic mindset (Zitek et al. 2010) and that feeling entitled in one domain can license opportunistic behavior in a completely different domain. We argue that entitlement arises when consumers receive preferential treatment, especially when they get it without any past investments from their side. We base our reasoning on relationship-as-bound and self-serving bias hypotheses in a relational context (Elberly et al. 2011; Sedikides et al. 1998). Those theories show that participants of relationally distant dyads (new customers in our context) manifest the self-serving bias when evaluating the relationship outcome, whereas members of close dyads (loyal customers) share responsibility for the outcome with the partner (a firm). We argue that consumers who have longer relationships with a firm (loyal customers) have lower levels of entitlement and consequently lower desire to behave opportunistically in preferential treatment situations compared to new customers.

We tested our predictions in a series of internet and laboratory studies. Study 1 (N=243), conducted online using Mechanical Turk, is the first to experimentally manipulate consumer entitlement. In an upgrade condition, participants read a preferential treatment scenario in which they imagined paying for a standard hotel room and then being upgraded to a deluxe suite instead. In a standard condition, the scenario described paying for and receiving the standard room. Finally, in a suite condition, the scenario described paying for and receiving the deluxe suite. All participants then completed an Entitlement scale (Campbell et al. 2004). The general tendency to behave unethically was measured by a Consumer ethics scale (Vitell and Muncy 1992). Participants in the upgrade group reported higher entitlement scores (M = 4.55) than both control groups (M-suite = 4.27 vs. M-standard = 4.01), F(2, 243) = 3.8, p < .05. Moreover, participants reported higher unethical intentions in the upgrade condition (M = 3.01) than in the suite condition (M = 2.65) and the standard condition (M-control = 2.73), F(2, 243) = 5.7, p < .05. This effect of condition on unethical intentions was significantly mediated by entitlement (95% CI for the indirect effect = .020 to .183).

Study 2 (N=348) demonstrates the differential impact of preferential treatment on consumer entitlement based on customers’ relationship with a focal firm. The procedure was similar to that of Study 1 except that a paragraph describing participants’ relationships with the firm (upgrade: loyal vs. new customers) was added. New customers reported higher feelings of entitlement (M = 5.19) than loyal customers (M = 4.75); F(1, 345) = 4.27, p < .05. Study 3 (N = 91) confirmed previous results in a more controlled laboratory setting. A 2 (upgrade vs. control) X 2 (explanation present vs. absent) design allowed us to explore the role of explanations when offering preferential treatment. According to the literature, providing explanations for an unexpected event helps customers to understand the promotional characteristics of such treatment and reduces expectations for such events in the future (Kim and Mattila 2013). We hypothesized that providing an explanation for preferential treatment should decrease the likelihood of feeling entitled. However, results revealed a main effect only for the upgrade condition (F(1, 89) = 3.86, p = .05, with no effect of the explanation factor F(1, 89) = 1.27, p > .10). Finally, Study 4 (N=99) tested the link between preferential treatment and opportunistic behavior in a laboratory experiment. After the hotel room upgrade scenario (upgrade: loyal vs. new customers) adapted from the previous studies, participants were given two minutes to list as many uses as they could think of for a brick. Participants were explicitly asked to work on this task for the full 2 minutes, however, they were able to proceed to the next page at any time by pressing the Next button. New customers were significantly more likely than loyal customers to advance (i.e. press the Next button) before the 2 minutes were up (χ² (1) = 6.79, p < .01). Moreover, loyal customers wrote more (i.e. number of words, M = 7.57) than new customers (M = 6.45); t(97) = 2.05, p < .05.

The current study adds to our knowledge of an underexplored role of entitlement in the marketplace. Our research shows that preferential treatment, or situations when a firm singles out specific customers, can have detrimental effects for a provider. Customers who receive special treatment without any justification tend to feel more entitled to cross limits set for others, compared with those who believe they earned such treatment.

A key possible implication of this research is that customer prioritization can sometimes backfire. All customers need to feel special, but this feeling should be based on past relationships with a company. Theoretical and practical implications will be discussed in the session.

REFERENCES


