Not All That Glitters Is Golden: the Impact of Procedural Fairness Perceptions on Consumer Satisfaction With Favorable Outcomes

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Counter-intuitively, we suggest that even when consumers’ recognize the favorability of marketer activity, they may penalize the brand when the process used to arrive at the outcome is deemed unfair and fairness is salient. However, consumer-brand relationships (communal/exchange) affect the perceived procedural fairness of favorable outcomes.

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EXTENDED ABSTRACT

The idea of meeting consumer needs and wants profitably is central to the function of marketing. Indeed, marketers strive to offer desired benefits such as discounts, price guarantees, and favorable refund policies to their consumers with the expectation that delivering consumer benefits will yield enhanced evaluations for the brand and strengthen consumer-brand relationships. In this research, we propose that consumer reactions to such beneficial marketing outcomes may not be uniformly favorable when consumers perceive that the procedure used to arrive at the benefit as unfair.

A rich body of research demonstrates that in social exchanges, people’s reactions to the other party are shaped predominantly by their perceptions of fairness of the exchange (Brockner and Wiesenfeld 1996). Existing literature on fairness in marketing has shown that this tenet of fairness is relevant to consumer-brand interactions as well. Extant literature has dealt almost exclusively with unfavorable outcomes (e.g., price increases; Bolton and Alba 2006) and shown that consumers consider fairness when they receive these negative outcomes. Whether the converse could also hold true: that consumers could have negative perceptions of positive outcomes due to perceptions of associated unfairness, is unclear.

If indeed consumers consider the unfairness of positive marketing outcomes, they should be able to distinguish between fairness and favorability. To examine what might account for this proposed asymmetric relationship between favorability and fairness, we turned to the organizational justice literature which provides a framework by parsing overall fairness assessments into outcome and procedural-fairness perceptions. Outcome-fairness relates to the equity of outcomes (Brockner et al. 2003). Procedural-fairness, on the other hand, refers to the fairness of the process by which the outcome is obtained (Brockner et al. 2003) and can determine whether an entire system, such as an institution or a company, is perceived as just and fair (Brockner and Wiesenfeld 1996). Procedural-fairness perceptions depend on several factors such as the inconsistency in implementation of policies and the perception that the outcome was carried out only in the exchange partners’ self-interest (Leventhal, Karuzza, and Fry 1980). These features of procedural-fairness have portent in consumer-brand interactions. In the present research, we predict that considerations of procedural-fairness can impact consumers’ reaction to favorable marketing actions such that even when consumers recognize the favorability of outcomes, they penalize brands when the process used to arrive at the outcome is deemed unfair.

In study 1, we use one determinant of procedural-fairness—acting in one’s self-interest—and demonstrate that (1) consumers can distinguish between outcome and procedural-fairness and (2) salience of procedural-fairness attenuates the positive effect of receiving a favorable outcome. Participants (n = 102) read that a fictitious movie rental e-retailer had recently eliminated late fees. In the procedurally unfair (vs. fair) condition, participants learned that a close competitor had recently dropped (vs. retained) its late fees. Half of the respondents rated fairness immediately after reading the scenario and before (vs. after) reporting brand evaluations in the salient (vs. non-salient) condition.

In support of the expectation that outcome and procedural-fairness are distinct constructs, we found that when the procedure was unfair, procedural-fairness perceptions were significantly lower when fairness was salient (p < .01) but outcome fairness perceptions were not affected by variations in salience. Further, as expected, in the procedurally-fair condition, brand evaluations were enhanced regardless of salience (p < .001). In the procedurally-unfair condition, however, brand evaluations were diluted (vs. enhanced) when fairness was salient (vs. not-salient; all p < .05). We also found that perceptions of procedural-fairness (but not outcome-fairness) mediated the effect of fairness and salience on changes in brand evaluation. Thus, while respondents were not agnostic to the favored outcome, only considerations of procedural-fairness impacted their reactions when fairness was salient. Please see table 1 for means.

In study 2, we added to these findings by examining the influence of the consumer-brand relationship on the effects of procedural-fairness. Study 2 was a 2 (brand relationship: communal/exchange) x 2 (procedural-fairness: fair/unfair) x 2 (procedural-fairness salience: high/low) between-subjects design. Respondents (n = 181) first read about a fictional shoe retailer and about the nature of their relationship—communal or exchange — with the brand. Respondents then learned that although they were aware of the retailer’s strict 90-day return policy, they needed to return a pair of shoes after this return-time had lapsed. While all participants learned that they received the refund, those in the procedurally-fair condition learned that they receive the refund because they had a store card and a new policy allowed them to make returns after 90 days. Those in the procedurally-unfair condition received a full refund because a store employee arbitrarily used a special employee code to grant them a refund.

As predicted, for communal participants, when fairness was salient, perceptions of procedural-fairness were higher in the fair (vs. unfair) condition (p < .001), but not when fairness was not salient (F < 1). For communal respondents, when fairness was salient, brand evaluations improved for the fair refund (p < .05), and declined for the unfair refund (p < .01). No effects were observed when fairness was not salient (F’s < 1). In contrast, for exchange participants, regardless of salience and fairness, evaluations increased after learning about the refund (p < .001). Respondents’ perceptions of trust of the brand mediated their brand evaluations. See table 2 for means.

This research establishes the importance of procedural-fairness in predicting consumer response to marketing activities. Theoretically, our work opens up a new area within fairness research—the importance of fairness even when outcomes are favorable—and suggests that consumers are sensitive to procedures. We also demonstrate that the type of relationship that consumers share with a brand determines the extent to which procedural-fairness concerns are likely to impact consumer response to favorable outcomes. Practically, our research helps explain why beneficial (and often costly) marketing actions may not have the expected long-term lift and may even have a negative impact if competitors, other consumers, or the media highlight procedural-unfairness. Marketers can significantly improve their return on marketing investment by focusing on both outcome and process.
REFERENCES