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Perceived Fairness of Differential Customer Treatment

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English Summary

The growth of the service economy as well as technological advancements led to the emergence of relationship marketing in the 1990s. Since then, many service providers have learned from long-term profitability analyses that some of their customer relationships are unprofitable. Consequently, more and more service providers—for example banks and telecommunications companies—have systematically aligned their services to customer profitability in recent years. The present work uses the term *differential customer treatment* to denote these profitability-based gradations of service to customers. That is, differential customer treatment represents a continuum spanning the top priority treatment of a given firm's most profitable customers at one extreme and the divestment ('dismissal') of a given firm's persistently unprofitable customers at the other extreme. Put in everyday language, the idea that *the customer is always right* has expired.

Although first empirical evidence suggests that differential customer treatment pays off (at least in the short term), several voices—in the media as well as in academic marketing—have criticized this practice as unfair, especially from the consumers' perspective. To date, criticism from marketing researchers has mainly comprised general remarks and theoretical side notes. Surprisingly, a thorough empirical analysis of the consumer perspective is missing. Hence, the present dissertation provides an empirical investigation of consumers' fairness perceptions of differential customer treatment. Different facets of the consumer perspective are examined in two empirical projects. *Project I* investigates consumers' fairness perceptions of differential customer treatment in two major service economies, the United States and Germany. *Project II* analyzes how different forms of a service provider's self-presentation affect consumers' expectations and fairness perceptions of differential customer treatment.

Project I demonstrates in two studies, using a descriptive and a pre-experimental design, that US consumers and German consumers perceive differential customer treatment differently: US consumers regard this strategy as more fair than German consumers across different service industries (i.e., in telecommunications, financial services, and air travel). In medical services, however, differential treatment is regarded as similarly unfair in both countries. Within both countries, consumers tend to accept differential customer treatment most easily in rela-

tion to airlines. Overall, German consumers are particularly strong opponents of customer divestment.

Applying the concept of *distributive justice* to differential customer treatment, *Project I* also shows that consumers' preference for the principle of *equity* versus the principle of *equality* predicts their fairness perceptions of differential customer treatment in both the United States and Germany. Because German consumers and US consumers consistently display the same level of *equity preference*—they favor a balance between equity and equality—this construct cannot explain country differences in fairness perceptions, however.

Project I shows that country differences in fairness perceptions are partly explained by consumers' *economic locus of control* beliefs. German consumers are generally much less convinced than US consumers that economic success is contingent upon effort. This belief affects fairness perceptions of differential customer treatment in Germany, but not in the United States. Put more simply, differential customer treatment is regarded as fair in the United States if the preferred customer pays more to the company than the non-preferred customer. In Germany, differential customer treatment is regarded as fair if the preferred customer pays more *and* if this 'surplus' is looked upon as well earned.

In terms of consumers' intended reactions to differential customer treatment, *Project I* reveals that German consumers react more extremely than US consumers. That is, German consumers report reacting more negatively when non-preferred and, regardless of their unfairness concerns, more positively when preferred. Within both countries, negative reactions to non-preferred treatment are more intense than positive reactions to preferred treatment, which suggests the *loss aversion* principle is at work.

Beyond the focus on country differences in *Project I*, *Project II* examines how different forms of corporate self-presentations affect consumers' expectations and fairness perceptions of differential customer treatment. An experiment in the telecommunications context, using a German sample, shows that consumers who are exposed to a service provider's self-presentation as the consumers' *friend* (pointing to *social norms*) expect differential customer treatment to a lesser extent than consumers who are exposed to a service provider's self-presentation as the consumers' *business partner* (pointing to *market norms*). Still, consumers do not differ in their overall fairness perceptions of differential customer treatment: The level of perceived unfairness of differential customer treatment is high, independent of the service provider's self-presentation as a friend or as a business partner. That is, although a cordial, friend-like self-presentation leads to a certain credit in consumers' minds at first, this credit is lost when it comes to the implementation of differential customer treatment.

Overall, the present dissertation shows that consumers do not always consider fair what service providers consider equitable and self-evident. Even though the fairness of differential customer treatment is controversial, the results of this thesis also show that most service providers should not completely refrain from this practice. To avert false expectations and (the reproach of) unfairness, service providers should consider two recommendations. Firstly, service providers should avoid self-presentations hinting at social norms if differential customer treatment is planned or already implemented. Secondly, international service providers need to bear in mind the country-to-country differences presented in this thesis when implementing differential customer treatment. That is, it is advisable for service providers to refrain from differential treatment in medical services in both the United States and Germany and to generally abstain from customer divestment in Germany, but not in the United States. If some customers receive preferential treatment in the German market, it is also advisable to emphasize that this treatment is well deserved.

Although managers may regard fairness as a subordinate goal when compared to their targets for profit and growth, this thesis makes a case for considering consumers' fairness perceptions (i.e., the above recommendations): For one thing, service providers are reliant upon well-functioning customer-firm relationships—that can be severely disrupted when consumers feel treated unfairly. For another thing, mutual fairness can be regarded as a general societal goal to which businesses should contribute, be it for intrinsic or instrumental reasons.

Theoretically, this work highlights the importance of consumers' understanding and rationale of distributive justice as well as their responsiveness to different relationship norms in the context of differential customer treatment. Against this background, this thesis finally develops an integrative conceptual framework of differential customer treatment that not only links the ideas investigated and discussed in the two separate projects presented, but also suggests areas for future research.

Deutsche Zusammenfassung

Vor dem Hintergrund technologischer Innovationen und der zunehmenden Bedeutung des Dienstleistungssektors hat sich im Marketing seit den 1990er Jahren die Strategie des *Beziehungsmarketings* (*relationship marketing*) etabliert. Durch die Erfassung und kontinuierliche Analyse von Kundendaten wurde seither vielen Dienstleistungsanbietern bewusst, dass einige ihrer Kundenbeziehungen nicht gewinn-, sondern verlustbringend sind. Immer mehr Dienstleistungsunternehmen—zum Beispiel Banken und Telekommunikationsanbieter—haben in den vergangenen Jahren hierauf reagiert und ihre Dienstleistungen systematisch der Profitabilität ihrer Kundenbeziehungen angepasst. Diese Ausrichtung des Service-Niveaus an der Profitabilität der Kunden wird in der vorliegenden Arbeit als *differentielle Kundenbehandlung* (*differential customer treatment*) bezeichnet. Differentielle Kundenbehandlung kann als Kontinuum aufgefasst werden. Dieses reicht von der speziellen, bevorzugten Behandlung besonders profitabler Kunden auf der einen Seite bis hin zur Ausgliederung (‚Entlassung') dauerhaft unprofitabler Kunden auf der anderen Seite. Das bekannte Wort vom *Kunden als König* gilt daher allenfalls für das profitable Kundensegment.

Obwohl erste empirische Studien darauf hindeuten, dass sich eine differentielle Kundenbehandlung für Dienstleistungsanbieter (zumindest auf kurze Sicht) finanziell lohnt, mehren sich kritische Stimmen in den Medien und der Marketingforschung. Diese betrachten, die Konsumentenperspektive einnehmend, differentielle Kundenbehandlung als bisweilen unfair. Erstaunlicherweise beschränkt sich diese Kritik in der Marketingforschung hauptsächlich auf allgemeine Bemerkungen und theoretische Randnotizen. Eine genaue empirische Untersuchung der Konsumentenperspektive fehlt bislang. Die vorliegende Dissertation unternimmt daher eine empirische Analyse der Konsumentenperspektive. Unterschiedliche Facetten der Fairness-Wahrnehmung differentieller Kundenbehandlung werden in zwei empirischen Projekten beleuchtet. *Projekt I* untersucht und vergleicht die wahrgenommene Fairness differentieller Kundenbehandlung in zwei großen Dienstleistungsgesellschaften, den USA und Deutschland. *Projekt II* betrachtet dagegen, wie verschiedene Formen unternehmerischer Eigendarstellung die Erwartung und die Fairness-Wahrnehmung differentieller Kundenbehandlung von Konsumenten beeinflussen.

Projekt I zeigt in zwei Studien—zunächst deskriptiv, dann prä-experimentell—dass US-Konsumenten differentielle Kundenbehandlung in der Regel (d.h. bei Telekommunikationsanbietern, Finanzdienstleistern und Fluggesellschaften) als wesentlich fairer empfinden als deutsche Konsumenten. Eine markante Ausnahme bilden jedoch medizinische Dienstleistungen; Konsumenten beider Länder betrachten eine differentielle Behandlung in diesem Kontext als gleichermaßen unfair. Bei Fluggesellschaften hingegen wird differentielle Kundenbehandlung in beiden Ländern am ehesten akzeptiert. Insgesamt sehen deutsche Konsumenten über alle untersuchten Dienstleistungssektoren hinweg vor allem die Ausgliederung unprofitabler Kunden kritischer.

Projekt I verdeutlicht zudem, dass unterschiedliche Vorstellungen von *distributiver Gerechtigkeit* in geschäftlichen Beziehungen die Fairness-Wahrnehmung differentieller Kundenbehandlung bestimmen. Eine Präferenz für das Prinzip der *Austauschgerechtigkeit* (*equity*) gegenüber dem Prinzip der *Gleichheit* (*equality*) führt sowohl in den USA als auch in Deutschland zu einer höheren Fairness-Wahrnehmung differentieller Kundenbehandlung. Da sich Konsumenten beider Länder jedoch konsistent ähnlich äußern—in beiden Studien favorisieren sie im Mittel eine Balance zwischen Austauschgerechtigkeit und Gleichheit—kann diese Präferenz für ein bestimmtes Gerechtigkeitsprinzip die Länderunterschiede in der Fairness-Wahrnehmung differentieller Kundenbehandlung nicht erklären.

Die gefundenen Länderunterschiede lassen sich gemäß *Projekt I* vor allem durch die *ökonomische Kontrollüberzeugung* (*economic locus of control*) der Konsumenten erklären. Deutsche Konsumenten sind wesentlich weniger als US-Konsumenten davon überzeugt, dass man sich Wohlstand (der häufig mit bevorzugter Kundenbehandlung assoziiert ist) selbst erarbeiten kann. Wohlstand wird in Deutschland eher als Glückssache empfunden, wohingegen in den USA eine stärkere interne Kontrollüberzeugung vorherrscht. US-Konsumenten gehen davon aus, dass es jede/r Bürger/in durch harte Arbeit zu Wohlstand bringen kann. *Projekt I* zeigt nun, dass sich die ökonomische Kontrollüberzeugung in Deutschland, nicht aber in den USA, auf die Fairness-Wahrnehmung differentieller Kundenbehandlung auswirkt. Vereinfacht gesagt heißt dies, dass es für US-Konsumenten allein ausschlaggebend ist, ob ein Kunde viel oder wenig bezahlt. Wer mehr bezahlt, soll besseren Service erhalten—dies wird unabhängig davon, ob die eingesetzte Summe selbst erarbeitet ist, als fair empfunden. In Deutschland hingegen gilt, dass besserer Service für einen Kunden nur dann fair ist, wenn dieser mehr bezahlt *und* dieses ‚Mehr' selbst erarbeitet wurde.

Da deutsche Konsumenten differentielle Kundenbehandlung im Allgemeinen kritischer sehen als US-Konsumenten, überrascht es kaum, dass deutsche Konsumenten auf eigene Benachteiligung entsprechend negativer reagieren. Es zeigt sich jedoch auch, dass deutsche Konsumenten bei eigener Bevorzugung dazu neigen, ihre generell kritische Sicht auf differentielle Kundenbehandlung zu suspendieren. Das heißt, deutsche Konsumenten ärgern sich nicht nur mehr, wenn sie benachteiligt werden—sie freuen sich auch mehr, wenn sie bevorzugt werden. In beiden Ländern zeigt sich zudem, dass negative Reaktionen auf Benachteiligung heftiger ausfallen als positive Reaktionen auf Bevorzugung, was auf das vielzitierte Phänomen der *Verlustaversion* (*loss aversion*) hindeutet.

Neben den in *Projekt I* untersuchten Länderunterschieden analysiert die vorliegende Arbeit in *Projekt II*, wie sich verschiedene Formen unternehmerischer Eigendarstellung auf die Erwartung und die wahrgenommene Fairness differentieller Kundenbehandlung von Konsumenten auswirken. Diese Studie findet vor dem Hintergrund der Beobachtung statt, dass sich viele Unternehmen in den letzten Jahren nicht mehr als reiner Geschäftspartner, sondern zunehmend als Freund oder gar Teil der Familie präsentieren. *Projekt II* zeigt mit Hilfe eines Experiments an einer deutschen Stichprobe, dass Konsumenten, die eine freundschaftsbetonte Eigendarstellung eines Telekommunikationsanbieters lesen (welche *soziale Beziehungsnormen* nahelegt), differentielle Kundenbehandlung weniger erwarten als Konsumenten, die eine geschäftsbetonte Eigendarstellung desselben Anbieters lesen (welche *Marktnormen* nahelegt). Die wahrgenommene Fairness differentieller Kundenbehandlung unterscheidet sich jedoch nicht. Differentielle Kundenbehandlung wird unabhängig von der Eigendarstellung des Unternehmens als Freund oder Geschäftspartner als unfair betrachtet. Eine freundschaftsbetonte Eigendarstellung führt also zunächst zu einem gewissen Vertrauensvorschuss beim Konsumenten. Dieser wird allerdings durch die Einführung differentieller Kundenbehandlung, einer rein auf Marktnormen basierenden Strategie, schnell wieder verspielt.

Insgesamt zeigt die vorliegende Arbeit, dass Strategien, die von Dienstleistungsanbietern als selbstverständlich und gerecht betrachtet werden, von Konsumenten als problematisch empfunden werden können. Obwohl differentielle Kundenbehandlung nicht durchweg als fair beurteilt wird, zeigt die vorliegende Arbeit aber auch, dass Unternehmen sich nicht vollkommen von diesem Ansatz lösen sollten. Um falsche Service-Erwartungen und Unfairness-Vorwürfe zu vermeiden, sollten Dienstleistungsanbieter zum einen auf freundschaftsbetonte Eigendarstellungen verzichten und zum anderen bei der Ausgestaltung differentieller Kundenbehandlung die festgestellten Länderunterschiede berücksichtigen. Bei medizinischen Dienstleistungen sollte beispielsweise in beiden Ländern die Profitabilität eines Patienten kein Kriterium für differentielle Behandlung sein. In Deutschland, nicht aber in den USA, sollten Dienstleistungsanbieter zudem generell auf die Ausgliederung unprofitabler Kunden verzichten. Im Hinblick auf die bevorzugte Behandlung profitabler Kunden ist es in Deutschland für Dienstleistungsanbieter weiterhin besonders ratsam zu betonen, dass diese Bevorzugung verdient (‚erarbeitet') ist.

Auch wenn Manager Fairness im Vergleich mit Wachstums- und Gewinnzielen möglicherweise als untergeordnetes Ziel betrachten, plädiert diese Arbeit dafür, den Fairnesswahrnehmungen von Konsumenten (und damit den obigen Empfehlungen) aus zwei Gründen Beachtung zu schenken. Erstens sind Dienstleistungsanbieter auf gut funktionierende Kundenbeziehungen angewiesen; diese können empfindlich gestört werden, wenn sich Kunden unfair behandelt fühlen. Zweitens kann beiderseitige Fairness als übergeordnetes gesellschaftliches Ziel verstanden werden, zu dem Unternehmen beitragen sollten—sei es aus intrinsischen oder instrumentellen Gründen.

Über die praktische Relevanz hinaus verdeutlicht die vorliegende Arbeit aus theoretischer Sicht vor allem zwei Aspekte. Zum einen zeigt sich, dass die Auffassung und die Begründung von distributiver Gerechtigkeit für die Beurteilung differentieller Kundenbehandlung zentral ist. Zum anderen wird deutlich, dass Konsumenten im Zusammenhang mit differentieller Kundenbehandlung eine feine Sensorik für unterschiedliche Beziehungsnormen besitzen. Vor diesem Hintergrund entwickelt die vorliegende Arbeit schließlich einen integrativen konzeptionellen Rahmen, der die in *Projekt I* und *Projekt II* untersuchten und diskutierten Ideen verbindet und einen Ausblick auf weitere Forschungsfragen gibt.

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List of Abbreviations

ANOVA	Analysis of variance
ATM	Automated teller machine
AVE	Average variance extracted
B2B	Business to business
B2C	Business to consumer
BBC	British Broadcasting Corporation
CDU	Christian Democratic Union of Germany
CFA	Confirmatory factor analysis
CFI	Comparative fit index
CLV	Customer lifetime value
CRM	Customer relationship management
DCT	Differential customer treatment
DE	Germany
df	Degrees of freedom
DVD	Digital versatile disc
EFA	Exploratory factor analysis
EL	Economic locus of control
EP	Equity preference
EUR	The Euro
FDP	Free Democratic Party of Germany
FLR	Fornell-Larcker ratio
FTD	Financial Times Deutschland
GDR	German Democratic Republic
GLM	General linear model
H_0	Null hypothesis
HIS	Notice and information system of German insurers
HSD	Tukey’s honestly significant difference
HVB	HypoVereinsbank
KAM	Key account management
M	Mean
MANOVA	Multivariate analysis of variance

MCMC	Markov chain Monte Carlo
MD	Mediation
ML	Maximum likelihood
MLR	Maximum likelihood estimation with standard errors robust to non-normality
MSN	Microsoft Network
n/a	Not available
OECD	Organization for Economic Co-operation and Development
PLS	Partial least squares
ppp	Posterior predictive p-value
PSR	Potential scale reduction
RFM	Recency, frequency, monetary value
RMSEA	Root mean squared error of approximation
SCHUFA	German General Credit Protection Agency
SD	Standard deviation
SE	Standard error
SEK	Standard error of kurtosis
SEM	Structural equation modeling
SES	Standard error of skewness
SNK	Student-Newman-Keuls test
SPD	Social Democratic Party of Germany
SRMR	Standardized root mean squared residual
TLI	Tucker-Lewis index
UK	United Kingdom
US	United States
USD	United States Dollar
VIF	Variance inflation factor
vs.	Versus
VVG	German Insurance Contract Act
vzbv	Federation of German Consumer Organizations
WOM	Word of mouth
ZKA	German Central Credit Committee

1 Introduction

News headlines like "*Sprint* dumping 1000 customers" (MSN Money, 2007), "Analyzing customers, *Best Buy* decides not all are welcome" (McWilliams, 2004), or "Banks squeeze out unprofitable customers" (BBC, 1999) indicate that a growing number of service providers realize that not all of their customer relationships result in profits. Consequently, they are unwilling to serve loss-generating customers. Observing this trend, Clark (2004) remarks trenchantly that business has switched over from a *the customer is always right*-mindset to a *fire your customers*-orientation.

The above headlines are evidence of a consistent implementation of relationship marketing. That is, the respective companies have adopted the idea of relationship marketing to foster profitable exchanges *and* to weaken or even terminate unprofitable ones (e.g., Sheth & Parvatiyar, 1995a; Zeithaml, Rust, & Lemon, 2001). The principle that service is based on customer profitability analyses has been captured in such terms as *customer prioritization* (Homburg, Droll, & Totzek, 2008) and *service discrimination* (Gupta & Lehmann, 2005). An extreme example of differential treatment is the firm-initiated termination of service to unprofitable customers. This approach has been called *customer divestment* (Mittal & Sarkees, 2006; Mittal, Sarkees, & Murshed, 2008) or *service denial* (Murshed, 2005). Besides the divestment of persistently unprofitable customers, service providers reward their most profitable customers with *preferential*, *special treatment* (Gwinner, Gremler, & Bitner, 1998).

Following these research threads (e.g., Mittal et al., 2008), this thesis uses the terms *profitable* and *unprofitable customers* although, strictly speaking, customers *per se* are neither profitable nor unprofitable. More precisely, a customer *relationship* becomes unprofitable if a service provider's business model allows customers to cost more than they yield. For reasons of simplicity and brevity, I will henceforth use the established terms *profitable* and *unprofitable customers* when referring to *profitable* and *unprofitable customer-firm relationships*. Moreover, I will use the expression *differential customer treatment* to capture all profitability-based gradations of service to customers. Given the wealth of different expressions in the context of services to more or less profitable customers, the introduction of this term is meant to provide an expression that helps to organize and classify related terms (see Chapter 2 for a detailed conceptualization).

Although there is evidence from the United States (Selden & Colvin, 2003) and Germany (Homburg et al., 2008) that companies which focus on their top-tier customers achieve better financial performance, this differentiated treatment of customers is not without controversy. Among the prevalent arguments against differential customer treatment is the danger of negative word of mouth (WOM) if consumers perceive this approach as unfair (Brady, 2000). Because differential customer treatment has the potential to enlarge social inequalities and to make people feel discriminated, this practice may "violate ethical … obligations to customers" (Mittal et al., 2008, p. 96). Preferential treatment has been described as "philosophically divisive" (Lacey, Suh, & Morgan, 2007, p. 241), and customer divestment has even been called a "taboo" topic (Mittal & Sarkees, 2006, p. 84). Accordingly, research on differential customer treatment is rare. Although interest in customer divestment is slightly growing at the moment (e.g., Blömeke & Clement, 2009; Haenlein & Kaplan, 2011), research on the full range of differential customer treatment is still in its infancy. Apart from first theoretical ideas on the fairness of customer prioritization in general (Bechwati & Eshghi, 2005; Boulding, Staelin, Ehret, & Johnston, 2005; Claus, 2006; Hansen, 2000; Hohm, Hansen, & Geisler, 2006) and loyalty programs in particular (Lacey & Sneath, 2006), my research has turned up only a single, recent empirical work that takes the consumer perspective and touches on fairness issues (Haenlein & Kaplan, 2010). Yet, this study focuses on customer divestment only and does *not center* on fairness. Thus, research on the fairness of the whole spectrum of differential customer treatment is nonexistent.

This lack of research comes as a surprise for two reasons. First, as pointed out above, differential customer treatment has given rise to negative press and fairness concerns of marketing researchers. Second, consumers' fairness perceptions have been characterized as indispensable for well-functioning and loyal customer-firm relationships (e.g., Seiders & Berry, 1998; Xia, Monroe, & Cox, 2004). These authors emphasize that unfairness perceptions on part of the customer can lead to intensely negative, revengeful reactions as well as to enduring attitude and behavior changes (see also Wangenheim & Bayón, 2007). Hence—following research showing that 'soft' psychological variables (e.g., customers' attitudes) are related to 'hard' variables like a company's market value (Fornell, Mithas, Morgeson, & Krishnan, 2006)—consumers' fairness perceptions can be understood as an important factor that influences a firm's long-term financial success. Thus, it is astonishing that service providers offer their differentiated services in different countries and markets, without knowing whether they irritate consumers. Service providers may even present themselves as the consumers' friends at first, but divest some 'unprofitable friends' later (see Ariely, 2009).

Beyond the companies' returns, fair customer-firm relationships can be regarded as a general societal desideratum. The above quotes on ethical obligations and the divisive nature of differential customer treatment have already indicated that the policy of customer prioritization and customer divestment may affect the development of a society as a whole. Since, whether we like it or not, consumption pervades our lives, an increasingly differentiated customer treatment may even lead to widening gaps in society (Brady, 2000).

The present dissertation aims to address the described research gap. Against the background of the overarching research question if consumers perceive differential customer treatment as fair, this thesis examines different facets of the consumer perspective on differential customer treatment in two projects. The research questions and the rationale for these projects are described in more detail in the following.

Project I focuses on country differences in the perceived fairness of differential customer treatment. Because many service providers—for example international airlines, large financial service providers, or telecommunications companies—offer their differentiated services across national borders, it is important to know whether consumers in different countries perceive differential customer treatment as similarly fair or unfair. The present work examines this question in two large service economies, the United States and Germany. Although both countries can be characterized as advanced Western economies with a strong service sector (CIA, 2009b), differences in the perceived fairness of differential customer treatment are nonetheless likely. Hochschild (1981), for example, suggests that US Americans differ from Europeans in their understanding of *distributive justice*. As distributive justice is concerned with the allocation of goods and services in a society, a different understanding of this justice principle may have implications for consumers' fairness perceptions of differential customer treatment. Because different ideas of distributive justice—for example a preference for the principle of *equity* (vs. *equality*)—are usually rooted in the notion of whether or not individuals are responsible for their economic fate (Kluegel & Smith, 1986), the perception of differential customer treatment as merited or unmerited may also be decisive when it comes to fairness evaluations of this approach.

As unfairness perceptions can produce vengeful customer reactions (Seiders & Berry, 1998), this project will help (international) service providers to avoid fairness issues in the context of differential customer treatment. By the same token, consumer-beneficial decision-making is supported. More specifically, *Project I* strives to answer the following three research questions: Firstly, do German and US consumers perceive differential customer treatment as similarly fair or unfair? Secondly, how can possible country differences be explained? And thirdly, what are the consequences of consumers' fairness perceptions?

Project II examines how service providers' self-presentations affect consumers' stance on differential customer treatment. Since service providers have shown a tendency in the past decades to market themselves as social companions and not as mere business partners (Ariely, 2009), consumers may implicitly develop service expectations that are based on *social norms* rather than on *market norms* (Clark & Mills, 1979; Fiske, 1992; Heyman & Ariely, 2004). Because norm violations can lead to negative consumer reactions (Aggarwal, 2004), consumers expecting highly amicable treatment may react particularly negatively when learning that a service provider has the policy of shedding unprofitable customers. Following this idea, as well as related research (e.g., Aggarwal, 2004), *Project II* strives to answer the following three research questions: Firstly, does a service provider's self-presentation—as a *friend* or as a *business partner*—affect consumers' service expectations? Secondly, do these different forms of self-presentation impact consumers' fairness perceptions of differential customer treatment? Thirdly, and more specifically, does a service provider's self-presentation—as a *friend* or as a *business partner*—affect *potential* customers and *existing* customers in the same way? Ultimately, *Project II* also aims to minimize fairness issues of differential customer treatment for both consumers and service providers.

In terms of Hunt's classic marketing scope schema (Hunt, 1976) that categorizes marketing topics along the three dichotomies profit/nonprofit, micro/macro, and positive/normative, the present dissertation focuses on profit/macro/positive. It deals with organizations whose stated objectives include profit, its unit of analysis goes beyond the activities of an individual organization, and it aims to describe and to understand consumers' opinions and commonsense perceptions of fairness (Finkel, 2000). That is, a descriptive focus is adopted in the initial stages of this thesis. It goes without saying, however, that a better understanding of the consumer perspective leads to managerial implications. In particular, the present work will be of interest to international companies that service customers of many different profitability levels over a longer period of time, for example large financial service providers, telecommunications companies, personal transportation companies, hotels, (private) health services, and mail order businesses. Overall, the managerial recommendations of my research will help to build cooperative and well-functioning relationships between service providers and customers. Thus, both consumers and service providers could benefit—regardless of whether service fairness is sought by both parties for intrinsic or instrumental reasons.

In sum, this thesis strives to make three contributions to the debate on differential customer treatment: Firstly, it develops a new conceptualization of differential customer treatment that not only clarifies the meaning of this customer management strategy, but also provides a demarcation from other, related strategies. Secondly, it makes a theoretical contribution in analyzing and discussing the relevance of consumers' understanding and rationale of distributive justice as well as their responsiveness to different relationship norms in the context of differential customer treatment. Finally, this thesis develops and discusses managerial implications that can be derived from consumers' fairness perceptions. Figure 1 provides a summary of the research questions and contributions that will be discussed in this thesis.

Overarching research question:
Do consumers perceive differential customer treatment (DCT) as fair?

Research questions *Project I*	**Research questions *Project II***
1. Do German and US consumers perceive DCT as similarly fair or unfair? 2. How can possible country differences be explained? 3. What are the consequences of consumers' fairness perceptions?	1. Does a service provider's self-presentation, as a friend (i.e., hinting at social norms) or as a business partner (i.e., hinting at market norms), affect consumers' service expectations in terms of DCT? 2. Do these different forms of self-presentation impact consumers' fairness perceptions of DCT? 3. Do these different forms of self-presentation affect potential and existing customers in the same way?

Contributions

1. New conceptualization of DCT
2. Discussion of fairness and relationship theories in the context of DCT
3. Development and discussion of managerial implications

Figure 1. Research Questions and Contributions of This Thesis

This dissertation is arranged as follows (also see Figure 2): Chapter 2 introduces the conceptual basis that is common to both empirical projects. It highlights how the idea of differential customer treatment fits in the fundamentals of relationship marketing and summarizes the current knowledge on this topic. Chapter 3 comprises *Project I*: At first, the theoretical basis of this project is introduced and hypotheses are derived. Building on these considerations, two studies are presented and discussed—a consumer survey as well as pre-experimental research in the United States and Germany. Chapter 4 concentrates on *Project II*: Subsequent to explaining the project's theoretical basis and hypotheses, experimental research is presented and discussed. Chapter 5 finally brings together central findings of both *Project I* and *Project II* and discusses them on a more general level. I will then conclude this thesis by laying the foundations for an integrative conceptual framework of differential customer treatment.

<table>
<tr><td colspan="2">

1 Introduction
Research Problem and Research Questions

2 Conceptual Basis
Differential Customer Treatment and Relationship Marketing

</td></tr>
<tr><td>

3 Project I
Do US and German Consumers Differ?

Theoretical Basis: Service Fairness and Differential Treatment

The Idea of American Exceptionalism: Hypothesized Country Differences

Study 1
(Descriptive Design)
How US and German Consumers Differ

Study 2
(Pre-experimental Design)
Why US and German Consumers Differ

Discussion and Managerial Implications

</td><td>

4 Project II
How Should Firms Present Themselves?

Relationship Theories: The Distinction of Social Norms and Market Norms

Differential Customer Treatment and Relationship Norms: Hypotheses

Study 1
(Experimental Design)
How Service Providers' Self-presentations Affect Consumers' Stance on Differential Treatment

Discussion and Managerial Implications

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5 Conclusions and General Discussion
Toward an Integrative Conceptual Framework of Differential Customer Treatment

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Figure 2. Structure of This Thesis

2 Conceptual Basis

The present chapter introduces the common *conceptual* ground of this thesis (the *theoretical* basis of the empirical research is presented in Chapter 3 and Chapter 4). It shows that differential customer treatment belongs to relationship marketing by implication and develops a detailed conceptualization of this customer management strategy. In addition, the current knowledge on differential customer treatment is summarized.

2.1 Differential Customer Treatment and Relationship Marketing

Many authors have characterized the development in marketing over the past decades as a paradigm shift from a production and transaction focus to a consumer and relationship focus (Berry, 2002; Grönroos, 1994; Vargo & Lusch, 2004).[1] In this perspective, marketing is more than a short-term exchange of goods and the management of the 4 Ps—it is about "establishing, developing, and maintaining successful relational exchanges" (Morgan & Hunt, 1994, p. 22). Thus customer loyalty is considered paramount (Reichheld & Sasser, 1990). Particularly in service industries, firms set a high value on the length (i.e., retention), depth (i.e., frequency of purchase and up-buying), and breadth (i.e., cross-buying and add-on buying) of customer-firm relationships (Bolton, Lemon, & Verhoef, 2004). In a recent meta-analysis (Palmatier, Dant, Grewal, & Evans, 2006), this understanding of marketing as *relationship* marketing has turned out to be not only predominant, but also generally effective.

Although vitally important, customer loyalty is no end in itself but rather a means to mutually profitable business connections. Therefore, Sheth and Parvatiyar (1995a, p. 264) have noted that "implicit in the idea of relationship marketing is consumer focus and consumer selectivity—that is, all consumers do not need to be served in the same way."

[1] Of course, relational bonding between traders was also important prior to the rise of relationship marketing in the 1990s. Sheth and Parvatiyar (1995b), for instance, trace back relationship marketing to the pre-industrial era. According to these authors, the transactional marketing focus came to the fore in the era of mass production and mass consumption. Yet today, the technology advancement (Shugan, 2004) and the growth of the service economy have led to a revival of the relationship perspective (Sheth & Parvatiyar, 1995b). That is, today's marketers focus not only on satisfying transactions, but on "satisfying transaction episodes" (Hansen, 2000, p. 416). In this spirit, complaint management and consumer affair departments, for example, have been established in Germany, following the model of US companies (Hansen, 2000).

It is not a new idea that marketing is not only about creating and resolving, but also about avoiding some exchanges. Kotler and Levy (1971) have coined the term *demarketing* to denote the fact that, sometimes, firms intentionally discourage customers to engage in marketing exchanges. Yet, differentiation, avoidance, and termination of customer relationships have become more important within the context of relationship marketing. Contrary to the slogan *zero defections* (Reichheld & Sasser, 1990), many authors argued later that some customer defections are in fact quite desirable (Zeithaml et al., 2001). If customer-firm relationships are not mutually beneficial—Murshed (2005) speaks of *value incompatibility*—the firm may intentionally offer poor service (Gerstner & Libai, 2006) or dissolve the relationship.

The concept of customer profitability—the "net dollar contribution made by individual customers to an organization"—is usually seen as the key "metric for the allocation of marketing resources to consumers and market segments. Marketing efforts are best directed at the most profitable consumers" (Mulhern, 1999, p. 26). Although the measurement of (future) profitability is a complex and sometimes thorny matter (Malthouse & Blattberg, 2005; Verhoef & Langerak, 2002),[2] the computation of profitability and the accordingly differential treatment of *Angel Customers and Demon Customers* (Selden & Colvin, 2003) have been described as financially successful for many service providers, among them the *Royal Bank of Canada, FedEx, Britannic Assurance*, and others (for further examples see Bechwati & Eshghi, 2005; Selden & Colvin, 2003; Zeithaml et al., 2001). The present dissertation takes the mathematical challenges of profitability calculations and service firms' derived differential treatment strategies as given—and highlights the consumer perspective on this practice.

Not only the academic literature on relationship marketing, but also a considerable number of press articles and surveys reflect the growing popularity of differential customer treatment. A British survey, for example, shows that the majority of senior bankers is searching for a way

[2] Campbell and Frei (2004), for instance, demonstrate in a financial services context that current profitability leaves a substantial amount of variance in future profitability unexplained. Similarly, Malthouse and Blattberg (2005, p. 2) reveal that the prediction of customers' future profitability is considerably flawed. Using customer data from four organizations, the authors propose as a rule that "of the top 20%, approximately 55% will be misclassified (and not receive special treatment). Of the future bottom 80%, approximately 15% will be misclassified (and receive special treatment)." They emphasize that companies should take (the costs of) these misclassifications into consideration when deciding to invest a disproportionately high share of their marketing resources into the small group of top customers. Yet, even authors who caution against possible mistakes in profitability calculations and predictions (Malthouse & Blattberg, 2005) admit that it makes obvious sense to prefer the best customers. Gupta and Lehmann (2005) argue, for example, that any metric suffers from a certain degree of inaccuracy. Still, they stress that this should not deter managers from finding meaningful applications for it.

to shed unprofitable customers (BBC, 1999). In line with this report, recent articles advise practitioners to 'fire' customers (Blank, 2009) and to resist the feeling of gratitude for every single customer (Hyatt, 2009). Further examples and excerpts from the daily press, illustrating the differential customer treatment of many well-known telecommunications companies and financial service providers, can be found in Appendix A.

It is hardly surprising that the press emphasizes the negative extremes of differential customer treatment—whereas the service providers' Internet pages emphasize the respective positive extremes. Examples of (loyalty) programs and special services for a firm's most profitable customers are presented in Appendix B. In this context, Drèze and Nunes (2009, p. 897) remark that the use of "status-laden colors" like platinum and gold signalizes hierarchy and superiority.

2.2 Conceptualization of Differential Customer Treatment

As mentioned in the introduction, several terms have been used to describe the differential treatment of more or less profitable customers along the 7 Ps of service marketing (Booms & Bitner, 1981). However, the terms used so far do not explicitly consider the whole spectrum of differential treatment. Some terms, for example *preferential treatment* (e.g., Lacey et al., 2007) and *customer divestment* (e.g., Mittal et al., 2008), only refer to the respective extremes of the differential treatment continuum, whereas more comprehensive terms, for example *customer prioritization* (Homburg et al., 2008) and *service discrimination* (Gupta & Lehmann, 2005), do often not explicitly refer to the extreme of shedding customers.

In the present work, the expression *differential customer treatment* is used as an umbrella term that captures all systematic profitability-based gradations of service to customers. As illustrated in Figure 3, differential customer treatment represents a continuum that involves the top priority treatment of a given firm's most profitable customers at one extreme as well as the divestment of a given firm's persistently unprofitable customers at the other extreme. Non-preferred customer treatment lies in between these poles; throughout this thesis, I use this term in a broad sense. To further specify the meaning of differential customer treatment, Table 1 displays a typology of possible differential treatment measures along the 7 Ps of service marketing.

Table 1 *Preferred and Non-preferred Customer Treatment—A Typology of Possible Measures Along the 7 Ps of Service Marketing*

	Preferred treatment	Non-preferred treatment (fluent transition to customer divestment possible)

Product	- Special selection of products and services:
	  - Customization of products and services
	  - Premium, additional products and services
		- Curtailing of products and services:
		  - Existent products and services are not offered any longer or only in reduced format
		  - New products and services are not offered at all

Price	- Favorable changes in:
	  - Prices (e.g., discounts)
	  - Terms of payment
	  - Delivery conditions
	  - Notice periods
		- Unfavorable changes in:
		  - Prices (e.g., extra fees)
		  - Terms of payment
		  - Delivery conditions
		  - Notice periods

Place	- Exclusive sales channels - Multi-channel distribution	- Reduction of sales channels or refusal of access to certain sales channels—forced migration to (cheaper) channels - Transfer to subsidiary company
Promotion	- Customized communication - Individual contact person - Setup of additional communication channels	- Reduction of communication - Removal of personal contact person
Processes	- Fast, flexible, and transparent processes - Shorter waiting times	- Less speed, flexibility, and transparency - Longer waiting times
Physical facilities	- Exclusive 'servicescapes' and extra facilities	- Simple facilities, no extras
Personnel	- Well-trained, extra service personnel - Abundance of service personnel	- Less trained service personnel - Lower manning level or no service personnel at all

Note. Adapted from Claus (2006), Hohm et al. (2006), Homburg et al. (2008), and Tomczak, Reinecke, and Finsterwalder (2000). Note that possible measures include both quid-pro-quo measures (like in loyalty programs) and discretionary investments (i.e., rewards that are left to the service employee's discretion), as pointed out by Malthouse and Blattberg (2005).

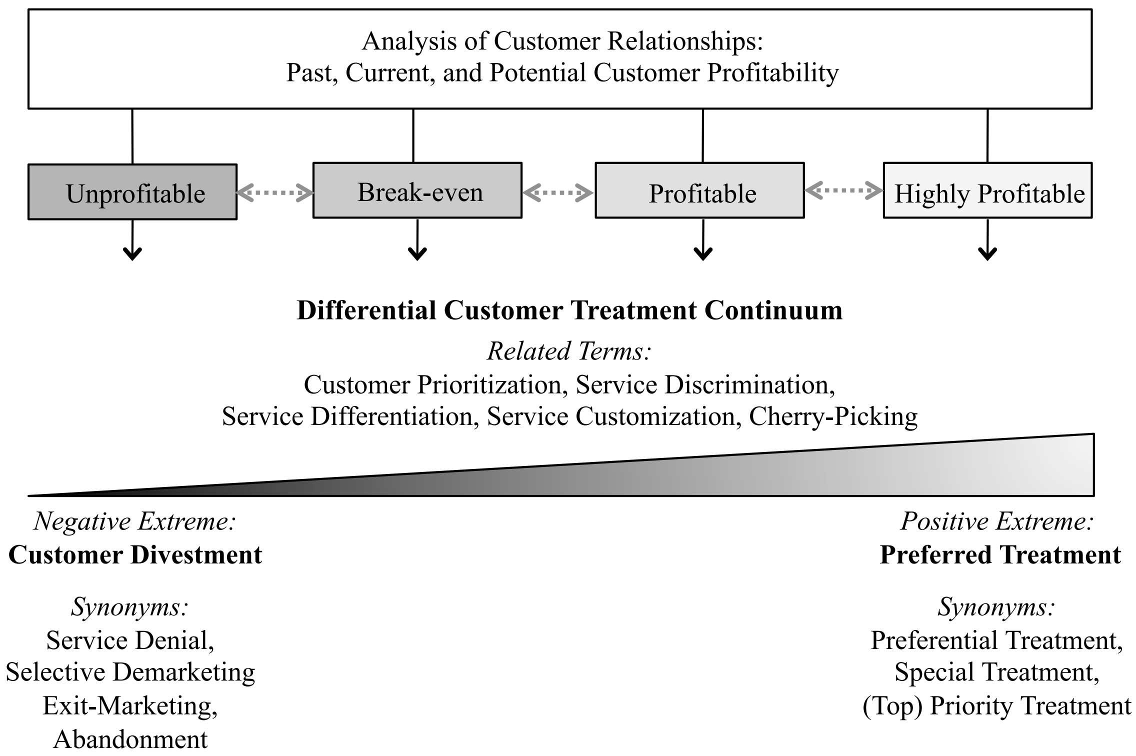

Figure 3. The Differential Customer Treatment Continuum and Its Segments
Related terms and synonyms are borrowed from: Blömeke and Clement (2009), Gerstner and Libai (2006), Gupta and Lehmann (2005), Gwinner et al. (1998), Haenlein and Kaplan (2010, 2011), Haenlein, Kaplan, and Schoder (2006), Hennig-Thurau, Gwinner, and Gremler (2002), Homburg et al. (2008), Kotler and Levy (1971), Lacey et al. (2007), Mittal and Sarkees (2006), Mittal et al. (2008), Murshed (2005), Thompson (2011), and Tinsley (2002). The arrows between the customer groups represent the possibility that customer profitability changes over time (Homburg, Steiner, & Totzek, 2009).

From the perspective of classical learning theory (e.g., Skinner, 1950), preferred treatment, as presented in Table 1, can be regarded as *reinforcement* (i.e., something pleasant is given or something unpleasant is taken away). Non-preferred treatment, on the contrary, can be regarded as *punishment* (i.e., something unpleasant is given or something pleasant is taken away; see also Kantsperger, 2005). The goal of both strategies is the modification of customer behavior. That is, customers are influenced to become or remain profitable.

As indicated in the previous paragraph, customers are not bound to be either unprofitable or profitable—changes in profitability over time are possible (Homburg et al., 2009). In fact, differential customer treatment is usually directed at developing more customers into profitable ones. Customer divestment is only an “option of last resort” (Mittal et al., 2008, p. 96). Mittal and his colleagues (2008) point out that divestment is preceded by milder steps. The strategy of several German telecommunications providers may serve as an example (Winter, 2008): Prior to divesting unprofitable power users who use their Internet flat rates to an excessive extent, providers restrain these customers by decreasing the bit rate. If this strategy is not successful, contracts may be cancelled. Premium customers, on the contrary, usually receive diverse bonuses and extras (see Appendixes B and E). Some providers install exclusive service hotlines for their premium customers, for example—others allot waiting times in telephone queues according to customer status: Most valuable customers do not need to wait longer than 15 seconds, whereas other customers may need to wait up to 10 minutes (Gupta & Lehmann, 2005).

Several further marketing topics share similarities with differential customer treatment. Most prominent examples are *customer discrimination* (Walsh, 2009) and *bottom of the pyramid research* (Karnani, 2007). Still, differential customer treatment can be demarcated from these topics. Customer discrimination, for example, refers to *ideologically* motivated discrimination, whereas differential customer treatment is only *economically* motivated.[3]

Bottom of the pyramid research is akin to differential treatment because low-income consumers are much more likely to be unprofitable than high-income consumers. Sometimes, banks refuse to open accounts for overindebted low-income consumers, for example (Verbraucherzentrale Bundesverband, 2007). Yet, unprofitable is not necessarily a synonym for poor. Wealthy customers can be unprofitable for a company, for example if they demand too many costly extras. Table 2 gives an overview of further related—but different—marketing themes, for instance *yield management* (Kimes, 2002), *key account management* (McDonald, 2000), and *customer switching* (Keaveney, 1995). Moreover, Figure 4 provides a simplified illustration of the main similarities and differences between all the strategies and topics presented.

[3] Although differential customer treatment refers to purely economically motivated discrimination, real world behavior may sometimes be a mixture of both ideologically *and* economically motivated discrimination. Crosby, Iyer, and Sincharoen (2006, p. 591), for instance, cite a study of the US Institute of Medicine which "revealed that ethnic and racial minorities receive poorer medical care than do white people, even after statistical adjustments are made to compensate for pre-existing differences in insurance and income." That is, ideologically motivated discrimination has happened over and above the economically driven discrimination by the insurance. In the given example, ideologically driven discrimination has boosted the effects of discrimination by profitability. Yet, it is also possible that both forms of discrimination have opposing effects. It has been reported, for example, that homosexuals' buying power is above average (Kleder, 2001). Therefore, they may be targets of preferential treatment. Possible discrimination due to prejudices against homosexuals, however, could oppose the effects of preferential treatment (Walsh, 2009).

Table 2 *Differential Customer Treatment (DCT) and Related Marketing Topics*

Related topic	Similarities	Differences
Customer switching (Keaveney, 1995), *Customer defection, Disadoption of a product category* (Hogan, Lemon, & Libai, 2003), *Churn* (Neslin, Gupta, Kamakura, Junxiang, & Mason, 2006)	The company loses a customer (either at all or to a competitor)—comparable to the result of customer divestment.	The process is customer-initiated, whereas customer divestment is firm-initiated.
Customer discrimination (Walsh, 2009)	A company does not treat all customers equally—it prefers some and discriminates against others, like in the case of DCT.	Customer discrimination refers to discrimination because of gender, ethnic origin, disability, age, sexual orientation, or religion. This form of discrimination is *ideologically* motivated. DCT is only *economically* driven.
Difficult customers (Falvey, 1995)	Difficult (e.g., irate) customers are usually unprofitable customers because they are extremely service-intensive. Thus, difficult customers are potential targets of customer divestment.	Most likely, difficult customers are unprofitable—but not all unprofitable customers are difficult (i.e., irate or insolent).
Low-income consumers (Pfeiffer, Massen, & Bombka, 2008), *Bottom of the pyramid* (Karnani, 2007)	Low-income consumers might be unprofitable and therefore potential targets for customer divestment.	Low-income consumers can be profitable customers, and wealthy consumers can be unprofitable. 'Unprofitable' is not a synonym for 'poor.'
(Supplier-initiated) *Relationship dissolution* (Helm, 2004)	Customer divestment and relationship dissolution can be seen as synonyms.	Relationship dissolution has been mainly investigated in the B2B context. In this work, DCT is studied in the B2C context.
Key Account Management (KAM) (McDonald, 2000)	DCT and KAM involve the priority treatment of a firm's most valuable customers.	KAM is rather confined to B2B markets and limited to the dichotomy Key- versus Non-Key-Account. DCT can refer to both B2B and B2C markets and involves a more subtle gradation (see also Droll, 2008).

(Table 2 continues)

(Table 2 continued)

Related Topic	Similarities	Differences
Yield management (Kimes, 2002)	Yield management results in price discrimination and raises fairness issues—comparable to DCT.	The price discrimination associated with yield management is not a result of a customer's profitability; it is related to the date a customer is booking a flight or a hotel, for example.
(Forced) Migration (Myers, Pickersgill, & Van Metre, 2004)	The (forced) migration of customers to a cheaper sales channel or to a subsidiary company is a possible form of discriminatory treatment of hardly profitable customers.	Migration to a cheaper channel is only one among many other DCT-measures. Moreover, profitable customers are also sometimes guided to cheaper channels.
Demarketing (Kotler & Levy, 1971)	The discriminatory treatment of hardly profitable customers and the divestment of unprofitable customers can be subsumed under the term demarketing, defined by Kotler and Levy (1971, p. 5) as "that aspect of marketing that deals with discouraging customers in general or a certain class of customers in particular on either a temporary or permanent basis."	Demarketing is a broad term: It includes aspects of DCT but also further approaches. Kotler and Levy (1971) differentiate between *general demarketing, selective demarketing,* and *ostensible demarketing*. DCT involves *selective demarketing*. However, in the examples of Kotler and Levy (1971), *selective demarketing* seems to be more of an equivalent to *customer discrimination* in the sense described above in this Table. In addition, demarketing is only concerned with discouraging customers—DCT also involves the preferential treatment of a firm's most valuable customers.

Differential Customer Treatment and Related Strategies/Topics	
Main Similarities	**Main Differences**
1. Company loses some customers	1. Initiator of relationship termination
2. Company does not treat all customer alike	2. Reasons/basis for differential treatment

Figure 4. Related Topics: Main Similarities and Differences

2.3 Differential Customer Treatment—Current Knowledge

The current knowledge on differential customer treatment can be roughly classified into six streams: Firstly, research on underlying metrics as well as financial and relational outcomes; secondly, research on relationship dissolution in the business-to-business context; thirdly, practitioner guides and frameworks; fourthly, press reports and comments; fifthly, related research on (un)fair pricing; and sixthly, first thoughts on fairness issues. Each stream will be introduced and summarized in the following.

2.3.1 Underlying Metrics and Outcomes

Within the field of relationship marketing, there is abundant research on the measurement of customer value and customer profitability (e.g., Gupta, Lehmann, & Stuart, 2004; Mulhern, 1999; Niraj, Gupta, & Narasimhan, 2001; Storbacka, 1997). In this context, Haenlein et al. (2006) demonstrate that calculations of the customer lifetime value (CLV)—the net present value of a customer that takes future profits into account—differ whether or not the option to divest unprofitable customers is considered in the calculation. Hence, they conclude that managers should consider the option of customer divestment *prior to* CLV calculations.

In general, customer value models can be classified along three criteria (e.g., Eggert, 2006). Firstly, they can be either *one-dimensional* or *multi-dimensional*. A simple ABC-classification of customers based on sales only, for example, is one-dimensional, whereas a so-called RFM-approach is multi-dimensional—since RFM stands for recency, frequency, and monetary value of a customer's purchases (Reinartz & Kumar, 2000). Secondly, customer value models can include *monetary variables only,* or they can include *both monetary and non-monetary information*. An ABC-classification based on sales, for example, includes only monetary information, whereas RFM-models also include information on the frequency and recency of purchases. Further non-monetary measures are customer satisfaction or WOM potential, for instance. Thirdly, customer value models can be exclusively based on *past customer behavior,* or they can involve *predictive elements*. An ABC analysis based on preceding sales relies on customers' past behavior. CLV measures, on the contrary, comprise a future perspective per definition. Homburg et al. (2008) report that most companies use past and expected sales in their customer valuation analyses; past and expected costs are used somewhat less frequently. They also report that ABC-classifications are most popular and that more complex CLV methods are less prevalent. As previously mentioned, the present work focuses on the marketing challenges and not on the mathematical challenges of customer value models (for this distinction, see Bechwati & Eshghi, 2005). Thus the technical details of customer value computations are not further elaborated on here (but see, for an overview, Blattberg, Kim, & Neslin, 2008).

Based on the different forms of customer valuation analyses mentioned, several segmentation nomenclatures have emerged. Zeithaml et al. (2001) speak of the *customer pyramid*, for example, which is composed of many hardly profitable *lead* and *iron customers* at the bottom and a small number of highly profitable *gold* and *platinum customers* at the top. Some banks are reportedly even using fruit codes—*plums, cherries, pears, apples, oranges, dates, grapes,* and *lemons*—to denote their customer segments (BBC, 1999). Besides nomenclatures, color codes are applied to signal service employees the status of a calling customer. *First Union*, a US bank, reportedly uses green for profitable customers and red for costly customers (Bechwati & Eshghi, 2005).

Various studies (e.g., Droll, 2008; Homburg et al., 2008; Reinartz, Krafft, & Hoyer, 2004; Rust & Verhoef, 2005; Ryals, 2005; Venkatesan & Kumar, 2004; Wetzel, Hammerschmidt, & Bauer, 2009; Yim, Anderson, & Swaminathan, 2004) in different industries and countries—including banking, insurance, mail order, transport, hospitality, telecommunications, online retailing, power utilities, and business-to-business manufacturers in countries such as Germany, the United States, and China (Hong Kong)—indicate that differential customer treatment pays off, at least short-term. In the most comprehensive study on customer prioritization, Homburg et al. (2008) show in a cross-industry survey of 310 firms that customer prioritization (in product, price, sales, processes, and communication) results in reduced marketing and sales costs. Furthermore, customer prioritization shows a positive effect on the relationship with top-tier customers and no impact on the relationship with bottom-tier customers. That is, differential customer treatment seems to lead to more satisfied and loyal top-tier customers and to unperturbed bottom-tier customers.

The most recent study on differential customer treatment was conducted in the restaurant context and also supports the assumption that this approach generally makes good business sense. Thompson (2011) not only shows that *cherry-picking* customers by party size—smaller parties usually spend more per person than larger ones—is applied by roughly a fifth of restaurants in his sample. He also demonstrates, using a simulation experiment, that *cherry-picking* is most rewarding for smaller restaurants with less than 30 tables. Possible relational outcomes and the perspective of restaurant guests, however, have not been addressed.

Beyond the financial outcomes mentioned, further studies have shown that a high level of preferential treatment has a positive influence on non-financial, relational outcomes such as relationship commitment, WOM, and customer feedback (Lacey et al., 2007). Yet, the study mentioned (Lacey et al., 2007) only examined different levels of preferential treatment (in an upscale department store)—without considering *non*-preferential treatment. A further study focusing on relational *benefits* only (Hennig-Thurau et al., 2002) also shows positive effects on customer loyalty and WOM, mediated by customer satisfaction and commitment. In line with Gwinner et al. (1998), however, Hennig-Thurau et al. (2002) demonstrate that social benefits (e.g., feelings of familiarity) as well as confidence benefits (e.g., feelings of trust) seem to be more important for consumers than preferential treatment benefits (e.g., better prices, faster service, and extra services). In sum, the influence of preferential customer treatment on relational outcomes seems to be slightly ambiguous. Homburg et al. (2008) report positive financial *and* relational outcomes, whereas Hennig-Thurau et al. (2002) find that the influence of special, preferred treatment on relational outcomes is limited.

Although the studies above demonstrate a better financial performance as well as generally positive relational outcomes for companies that focus on their top-tier customers, this approach and its outcomes are regularly debated. In their study on customer prioritization mentioned above, Homburg et al. (2008) summarize three arguments against a strong prioritization of a small group of highly profitable customers: Firstly, the concentration on a small segment of profitable customers can lead to a neglect of possible economies of scale (Johnson & Selnes, 2004). Secondly, it has been argued that a balanced and diversified portfolio of customers is desirable because such a portfolio allows hedging the risk of losing some of the few top tier customers (Dhar & Glazer, 2003). In this context, Sharma (2006) argues that firms should not neglect transactional customers at the expense of long customer relationships because transactional customers are not necessarily unprofitable—and longtime customers not necessarily profitable.[4] Thirdly, there is the risk of negative WOM if non-preferential treat-

[4] This has also been demonstrated by Reinartz and Kumar (2000), who found that approximately 20% of the customer base in industries such as mail order, grocery retailing, or direct brokerage services can be characterized as long-term but not (very) profitable, whereas roughly the same percentage of customers can be characterized as short-term but highly profitable.

ment becomes apparent and is perceived as unfair (Brady, 2000; Fairley, 2000). The approach of *First Chicago*—introducing a fee for low-value customers if they want teller assistance—was described as “PR suicide,” for example (O'Sullivan, 1997, p. 43). It can also be inferred from some of the press quotes in Appendix A that a differentiated treatment of customers, particularly customer divestment, can result in a deprecatory public reaction. Since it has been shown that unhappy customers engage in greater WOM than satisfied customers (Anderson, 1998) and that negative WOM can be hurtful for firms (Wangenheim, 2005), it can be assumed that negative WOM by *fired* past customers may be extremely hurtful. Some entries in Internet forums exemplify this: The *Deutsche Telekom* and its daughter *Congstar* were called *household rubbish, dump,* and other names after *Congstar* reportedly cancelled contracts with unprofitable power users (Golem.de, 2008). In addition to these arguments, Homburg et al. (2008) note that more research is needed on whether or not a firm’s culture supports differential customer treatment.

Further authors express even more arguments against the (outcomes) of differential customer treatment. Verhoef and Langerak (2002, p. 75), for instance, describe the so-called *customer profitability trap* that may close if unprofitable customers are dropped: “Having fewer customers and lower turnover might, however, reduce the contribution margin of each product and/or service sold … this implies that customers that are currently profitable might become unprofitable when other customers are dropped.” The authors also point out that a large customer base may be an important signal for potential customers—therefore, it may be unwise to drop customers. Divesting unprofitable customers can be an ambivalent signal for existing customers as well (Murshed, 2005). They may wonder if customers really matter to the company and may feel insecure about their own relationships with the firm. Ultimately, this could benefit the firm’s competitors. Murshed (2005) also reports examples of a further unwelcome outcome of a smaller customer base—a smaller employee base. UK banks had to cut jobs after divesting unprofitable customers, and the US health insurer group *Aetna Inc.*, for example, dismissed 16% of its workforce as a consequence of divesting unprofitable customers (Freudenheim, 2001).

In summary, it can be stated that the metrics and classification schemes underlying differential customer treatment are very elaborate and well-researched, whereas the outcomes of this strategy seem to be less thoroughly investigated and quite controversial. Although some studies indicate positive financial and relational outcomes, many concerns associated with this practice remain. Table 3, presented at the end of Chapter 2, summarizes the pros and cons that are typically brought forward by advocates and critics.

2.3.2 Relationship Dissolution in the Business-to-Business Context

Resuming first, primarily theoretical and case-study work on customer prioritization (Ernst & Cohen, 1992) and exit strategies in the business-to-business context (e.g., Giller & Matear, 2001; Halinen & Tähtinen, 2002), Helm (2004) and Helm, Rolfes, and Günter (2004) studied the supplier-initiated relationship dissolution in 184 buyer supplier relationships in the German mechanical engineering industry. They show that only a fifth of the suppliers manage their unprofitable customer relationships systematically although suppliers indicate that, on average, a fourth of their customer relationships is not profitable. In line with this observation, Reinartz and Kumar (2002, p. 88) state that there is "a sizeable body of academic research documenting the often poor profitability of long-standing customers in business-to-business industries. These customers, who almost invariably do business in high volumes, know their value to the company and often exploit it to get premium service or price discounts."

Similar to the findings of Helm and her colleagues (2004), other researchers report that roughly a third of customers turn out to be unprofitable in business-to-business contexts. Niraj et al. (2001), for instance, find that 32% of customers are unprofitable when analyzing a distributor that supplies to grocery and other retail businesses; Bowman and Narayandas (2004) report that 31% of customers of a vendor in the processed metals business are loss-generating. In accord with Reinartz and Kumar (2002), Hoek and Evans (2005, p.19) also highlight that "unprofitable orders" are often placed by high-volume (i.e., supposedly 'good') customers. Yet, many firms are not willing to deny (extra) services or to part with unprofitable customers. Helm et al. (2004) distinguish different groups of suppliers—the *Hardliners* and the *Undecided/Appeasers*. Interestingly, the *Undecided* group, who is relatively averse to terminating unprofitable relationships, has a significantly lower number of customers than the *Hardliner* group, who terminates unprofitable relationships rigorously (Helm et al., 2004). In the discussion of her findings, Helm (2004, p. 89) notes that supplier-initiated relationship dissolution might involve "serious ethical issues" that are not in line with "some firms' business philosophy." Similarly, Tuusjärvi and Blois (2004) also raise fairness concerns in a case-study on relationship dissolution.

Overall, it can be stated that the awareness of the existence of unprofitable customers is somewhat higher in business-to-business than in business-to-consumer markets. Selden and Colvin (2003), for example, also underline that managers in business-to-consumer firms have a stronger tendency to believe that all of their customer relationships are naturally profitable. Despite this awareness of unprofitable customers in business-to-business contexts (Reinartz & Kumar, 2002), the existing research on relationship dissolution also shows that this practice is relatively rare and burdened with (fairness) concerns. In the qualitative pre-study of *Project I* (see Appendix E), however, two experts, a partner of a consulting firm and a former sales representative of a business-to-business company, pointed out that differential treatment is generally more accepted and established in the business-to-business than in the business-to-consumer context. In line with this observation, a current study (Ritter & Geersbro, 2011) suggests that organizations need *relationship termination competence*.

2.3.3 Practitioner Guides and Frameworks

Because unprofitable customers are not a rare species (O'Sullivan, 1997)—it has been estimated that up to 30% of customer relationships are unprofitable in both business-to-business and business-to-consumer settings (Haenlein & Kaplan, 2009; Haenlein, Kaplan, & Beeser, 2007)—some authors have developed frameworks and guidelines for practitioners on how to deal with them.

Selden and Colvin (2003), for instance, outline in their book on *Angel Customers and Demon Customers* how practitioners can track and manage their (un)profitable customers. They emphasize that a designated manager should be responsible for the profitability of a certain customer segment and that differential customer treatment is of utmost importance. They underline that customers are a company's most important intangible assets and that companies should be regarded as a portfolio of customers—not as a group of products, services, functions, or territories. Yet, they also note that, still, many managers "because of history and habits, … behave as if profit comes from products … or places" (Selden & Colvin, 2003, p. 25). The approach of best practice companies—like the *Royal Bank of Canada*—are introduced, and the application of customer centricity and differential treatment principles are illustrated by means of fictional company examples. The authors also point out that a transition from a product- to a customer-centered company will meet with technical, political, and cultural resistance in organizations due to implementation issues, power shifts, and changes in cultural values involved in this process.

Selden and Colvin (2003) were not the first authors who promote the idea to treat customers differentially in a popular science book. The book *All Consumers Are Not Created Equal* by Garth Hallberg, published in 1995, has already introduced the idea of differential marketing. Still—although both books act on the premise that a small percentage of a firm's customers accounts for a large share of a firm's profits—Hallberg (1995) focuses mainly on firms' communication strategies and advertising management, whereas Selden and Colvin (2003) promote a stronger customer focus in all departments and actions of the firm.

Akin to Selden and Colvin (2003), Gupta and Lehmann (2005) recommend practitioners to analyze the value of their customers. In their book *Managing Customers as Investments—The Strategic Value of Customers in the Long Run*, the authors illustrate how to affiliate the marketing perspective with the finance perspective by means of the CLV. In this context, the authors develop a fourfold matrix that classifies customers according to their value for the firm (in terms of their CLV) as well as the value they derive from the firm. Ideally, both the value of customers and the value to customers are high (*Star Customers*). Otherwise—especially with regard to *Vulnerable Customers* (high value to the firm but low value to the customers) and *Free Riders* (low value to the firm but high value to the customers)—a firm should try to turn customers into *Star Customers*. In terms of the so-called *Lost Causes* (low value to the firm and low value to the customers), a firm may consider divestment.

Further similar customer matrices have been proposed by Reinartz and Kumar (2002), Best (2005), and Ang and Taylor (2005). These authors classify customers along the dimensions profitability and loyalty and recommend certain strategies for each of the four resulting customer groups. The most popular customer is, of course, characterized by both high profitability and loyalty. This group is labeled *True Friends* (Reinartz & Kumar, 2002), *Top Performers* (Best, 2005), or *Stars* (Ang & Taylor, 2005). The authors argue that this customer group should be delighted to ensure loyalty. Customers who are profitable but not very loyal are also relatively popular. These customers are characterized as *Butterflies*, *High Potentials,* and *Supernovas*, respectively. For this group, the authors recommend selective investments to build stronger loyalty. Customers characterized by low profitability and high loyalty are named *Barnacles*, *Underachievers*, and *Black Holes*, respectively. Marketers are advised to invest in sustaining their loyalty, but to focus on up-selling, cross-selling, and cost control to increase their revenue and margin. Finally, customers characterized by both low profitability and low loyalty are referred to as *Strangers*, *Nonprofits*, and *Eclipses*, respectively. For this segment, the authors recommend to make no investments and to limit services.

Further guidance on *The Right Way to Manage Unprofitable Customers* is published by Mittal and colleagues (Mittal et al., 2008). The authors develop a five-step framework, valid for both the business-to-business and the business-to-consumer context, that includes the *reassessment of a relationship*, the *education of customers*, the *renegotiation of the value proposition*, the *migration of customers*, and—if still necessary—*the termination of the relationship* (Mittal et al., 2008). They also emphasize that "customers are not commodities that can be acquired or disposed of at will. They deserve better than a simplistic decision by management to either retain or reject" (Mittal et al., 2008, p. 102). A similar framework, which is less critical in tone, has been put forward by Haenlein and Kaplan (2009), called the *ABCs of Unprofitable Customer Management*. Most importantly, the authors note that firms should make an effort to avoid the acquisition of unprofitable customers in the first place. In other words, firms need to refrain from business models or offers that allow customers to become unprofitable. As an example, they mention an Internet flat rate from *America Online,* whose (non-standard) software creates disadvantages for power users—and thus forestalls the development of an unprofitable customer segment.

A similar idea is expressed by Rosenblum, Tomlinson, and Scott (2003), who point out that business models—not customers—are unprofitable. They focus on the art of turning unprofitable customers into profitable customers by developing apt business models. In this spirit, they provide examples of companies, such as *Paychex* or *Southwest Airlines*, that have been highly successful in segments everybody else evaded (Rosenblum et al., 2003). It has been argued, however, that success stories in these consumer segments are rare and restricted to a few companies, mainly in telecommunications, fast-moving consumer goods, and pharmaceuticals (Karamchandani, Kubzansky, & Lalwani, 2011).

In sum, there is a remarkable amount of books, chapters, and articles on how practitioners should deal with customers of different profitability levels. Surprisingly, fairness concerns with regard to the differential treatment of *right* and *wrong* customers (Zabin & Brebach, 2004) are only mentioned as side notes, if at all. The subsequent sections highlight this aspect.

2.3.4 Press Reports and Comments

In Germany, the term *Schalterhygiene* (*counter hygiene*)—allegedly bank jargon for the rejection of financially suffering, unprofitable customers—elicited indignation in the context of the election of the so-called German *Unwort des Jahres* (*faux-pas word of the year*) in 1994 (FAZ, 2004). Similarly, a German health insurance provider that simultaneously wrote different letters to its insurants—indicating to their profitable, preferred insurants that an additional claims burden will be compensated for by their bonus program, but indicating to their non-preferred insurants that insurance contributions will go up inevitably—received negatively toned press comments (Der Spiegel, 2011). Likewise, the US media were not amused when it was revealed that *Netflix*, an online DVD rental service, systematically disadvantaged frequent (and thus possibly unprofitable) renters (MSN, 2006).[5]

These examples illustrate that differential customer treatment can be a delicate issue. As demonstrated in Appendix A, differential customer treatment regularly receives press attention. It is my impression that the majority of articles in the specialized business press (e.g., Grey, 2003; Müller, 2002) support differential customer treatment, whereas the general (daily) press (e.g., Brady, 2000; Meier, 1995) is either neutral or skeptical toward this practice. Blömeke and Clement (2009), for example, list instances of a negative press echo following customer divestment in the telecommunications context. Moreover, it seems that most criticizing articles in the daily press refer to differential treatment in the business-to-consumer context; negatively toned reports in the business-to-business context appear to be very scarce (e.g., Koch, 2009). The depicted deprecatory—or sometimes surprised (e.g., Woolley, 1998)—reaction of the daily press points to a dislike, or at least a lack of understanding, of differential customer treatment.

In line with Finkel (2000, p. 898), who has noted that complaints like "but it's not fair!" are frequently unspecific, many press articles (see Appendix A) are characterized by a negative or sensational choice of words (e.g., unprofitable customers are 'frozen out' and 'millionaires are preferred'), but a lack of specificity in their reproaches. The possible dimensions underlying these reproaches will be elaborated on in the following (see Chapters 2.3.6 and 3.1).

[5] Because all *Netflix* customers pay a flat fee, the company makes more money from customers who watch fewer movies per month.

2.3.5 Related Work on (Un)fair Pricing

In pricing research, several studies have examined how fair (differential) prices are perceived (for a review, see Xia et al., 2004). This research, however, is often not explicitly concerned with differential customer treatment as defined in the present work because the investigated pricing strategies are not necessarily tailored to pre-examined customer profitability.

Despite the *dual entitlement principle* (Kahneman, Knetsch, & Thaler, 1986), which states that consumers are entitled to a reference transaction and firms to a reference profit, consumers show a general tendency to believe that prices are too high and unfair (Bolton, Warlop, & Alba, 2003). A good company reputation, however, can attenuate such unfairness perceptions (Campbell, 1999). When evaluating the fairness of prices in general, several studies show that consumers compare actual prices with an internal standard (i.e., their internal reference price) for a certain good or service (e.g., Mazumdar, Raj, & Sinha, 2005). That is, this internal norm has a strong influence on consumers' perceptions of price fairness.

In terms of differential prices as a result of yield management (also see Table 2), consumers appear to be less critical in the airline context but more critical in other industries, for example hotels (Kimes, 2002). Moreover, consumers dislike firms that offer better prices to new customers than to loyal customers (in an intransparent way), as *amazon* painfully learned in a trial period of dynamic pricing (Adamy, 2000). In this context, Feinberg, Krishna, and Zhang (2002) point out that consumers consider the *equity* concept (Adams, 1963) when they evaluate what they and others get. Such targeted price promotions—either for a company's best customers or for a special segment whose affinity to marketing offers is high—are perceived favorably by the advantaged group if the deal appears to be exclusive (Barone & Roy, 2010). In parts, advantaged customers may also perceive negative emotions (i.e., an ambivalent blend of happiness and pity or guilt), depending on their attribution of the price advantage and their relationship to the disadvantaged customers (Gelbrich, 2011). Under some conditions, for example when the advantaged group is regarded as experts, targeted promotions are perceived as fair by the non-targeted, disadvantaged group (Lo, Lynch Jr, & Staelin, 2007).

All in all, several key aspects can be inferred from research on (un)fair pricing. First, consumers seem to be somewhat skeptical of profit-oriented firms per se and especially critical in terms of differential pricing. Moreover, Xia et al. (2004) observe that unfairness perceptions can lead to negative, revengeful reactions against the firm. It has also been shown, however, that consumers do not consider differential pricing similarly unfair across industries and that considerations on equity (i.e., comparisons of input-outcome ratios, see Chapter 3.1) may alleviate or even reverse unfairness perceptions.

2.3.6 Fairness Issues

Although possible fairness issues of differential customer treatment are sometimes mentioned in the relationship marketing literature, there is, to the best of my knowledge, only a single empirical work that mentions the fairness of this approach (Haenlein & Kaplan, 2010). In the following, six theoretical publications that deal with fairness implications of differential treatment, most notably Hansen (2000) and Hohm et al. (2006), are introduced. Subsequently, the empirical results of Haenlein and Kaplan (2010) are summarized.

Firstly, Hansen (2000) discusses limitations and downsides of relationship marketing from the consumer perspective. She notes that, even though several drawbacks are evident, criticizing fundamentals of relationship marketing feels like being a "killjoy" (p. 423), who disrupts the general enthusiasm. Overall, she points out four potential problems of relationship marketing: Wrong promises of benefits and friendship, price intransparency of complex relationship offers, customer resentment in reaction to forced or restrictive relationships, and—finally—discrimination. In terms of discrimination, she argues that the targeting of customers according to their value may be considered unfair and that "a discriminative relationship policy is tied up with problems of moral sensitivity" (p. 429). In conclusion, she underlines that ethical problems of relationship marketing have been neglected so far. Therefore, she calls for more basic research on the consumers' interests and needs in the context of relationship marketing.

Secondly, Hohm et al. (2006) discuss ethical implications of customer value-based management. The authors link the topic of differential customer treatment with the justice principles of *equity* and *equality*. From the perspective of *equity*—that refers to what is owed between individuals or parties—a treatment based on a customer's value for the firm can be considered fair, whereas from the perspective of *equality*—that refers to an equal allocation of resources in a society—a differentiated treatment or even divestment of customers can be considered doubtful. This rationale will be followed and elaborated on in *Project I* of the present work. Moreover, the authors argue that differential treatment is most critical in essential areas of life, such as health—especially if the preferred treatment of a few individuals is to the detriment of many others. They also caution about customer valuation criteria that go beyond financial indicators. That is, they fear that ideologically motivated discrimination could be combined with economically motivated discrimination (as pointed out in Chapter 2.2). They also note, however, that it is generally desirable that service providers offer a broad range of services and service levels. Finally, they conclude that ethical considerations should guide the long-term strategy of (service) firms. That is, a customer value-based management strategy should not be based on short-term profit goals, but on a long-term perspective.

Thirdly, Lacey and Sneath (2006, p. 458) examine the fairness of loyalty programs, which are frequently an integral part of firms' relationship marketing strategies. The authors particularly discuss differential treatment and privacy issues and conclude that "equitably administered and thoroughly communicated" loyalty programs are fair and "will be perceived favorably by consumers."[6]

Fourthly, Claus (2006) proposes a four-layer decision tree that can be used to discuss the legitimacy of differential customer treatment: He suggests that equity (i.e., the balance between inputs and outcomes in the relationship between the customer and the firm) should be the first decision criterion, followed by legal obligations (e.g., the obligation to contract). Furthermore, the company's decision should be guided by generally accepted ethical norms (e.g., the Fundamental Rights Charter). Lastly, a firm should consider entering into a dialogue with the customer instead of terminating the business relationship unilaterally.

A fifth group of authors brings up the fairness topic in the context of reflections on possible pitfalls of customer relationship management (CRM; Boulding et al., 2005, p. 160). Besides concerns regarding inappropriate metrics, for example, the authors advise against a neglect of topics like consumer trust, privacy, and fairness. In terms of fairness, they state that "the successful implementation of CRM requires that firms carefully consider issues of consumer fairness." In this context, they also mention that differential customer treatment may lead to upset customers and that "much is still unknown about the standards customers use to determine whether the firm is acting fairly."

[6] Empirical research, however, shows that loyalty programs can also involve frustrating consumer experiences (Stauss, Schmidt, & Schoeler, 2005).

Finally, Bechwati and Eshghi (2005, p. 94) admonish that a too strict application of CLV analyses “may result in the unethical practice of denying service to certain segments.” They also caution firms about negative WOM or revenge of fired customers: “If you fire them, they might fire back.” Lastly, they remind firms that it is hard to win back ‘fired’ customers: Non-lucrative college students, once rejected by a bank, might not choose this bank again later in life when they might be profitable customers, for example.

Apart from the theoretical considerations and general remarks presented, Haenlein and Kaplan (2010) examined consumers’ attitudes toward customer abandonment strategies in the context of a telecommunications scenario, using a US sample. Even though the vast majority of the sample is not surprised that telecommunications providers apply abandonment strategies, the authors show that current customers express relatively strong exit intentions and that potential customers express fairness concerns and low purchase intentions. In a second study (Haenlein & Kaplan, 2011)—that does neither assess nor discuss fairness issues—the authors demonstrate, again in a US sample, that consumers’ reaction intentions do not differ dependent on the abandonment strategy applied (they distinguish between customer divestment, which is denoted as *direct abandonment*, and non-preferred treatment, which is denoted as *indirect abandonment*).

In the following chapters, the present work aims to continue and to expand this last research stream not only theoretically, but also empirically. This approach reflects Oliver’s remark (1996a) that consumers’ understanding of fairness remains inscrutable for managers—unless consumers are interviewed. Prior to Chapter 3, Table 3 summarizes the pros and cons of differential customer treatment that have been discussed in Chapter 2.

Table 3 *Summary: The Pros and Cons of Differential Customer Treatment (DCT)*

Pro	Contra
- DCT is intuitive. Because a small percentage of customers often accounts for a large percentage of profits, DCT makes apparent sense. An ongoing investment in unprofitable customers could be regarded as a waste of resources and as an 'escalation of commitment.' A disregard of high-value customers would be paradoxical.	- DCT may lead to unfairness perceptions, negative WOM, and bad press. Therefore, financial success may be only short-term.
- The computation of profitability and the accordingly differentiated treatment of *angel customers* and *demon customers* have been described as financially successful for many companies of different industries.	- Ideologically motivated discrimination may co-occur with (purely economically motivated) DCT.
- There is evidence that DCT leads to positive relational outcomes (e.g., satisfaction and loyalty) in the group of preferred customers.	- A concentration on a small segment of profitable customers may result in both a neglect of possible economies of scale and a greater loss if some of the few top tier customers are lost.
- It is generally desirable that firms offer a broad range of services and different service levels.	- Profitability analyses are not error-free. False classifications can cost a company money and credibility.
	- Dropping unprofitable customers can be an ambivalent signal for existing and potential customers.
	- The concentration on loyal, high-value customers disregards that transactional customers (often classified as low-value) can be profitable.
	- Maybe job cuts are needed after the divestment of customers.
	- The introduction of DCT strategies in organizations may lead to technical, political, and also cultural resistance.
	- An unprofitable customer today might be a profitable customer tomorrow. Yet, it is hard to win back a customer who was once rejected.

Note. Arguments follow Brady (2000), Bechwati and Eshghi (2005), Dhar and Glazer (2003), Hohm et al. (2006), Homburg et al. (2008), Johnson and Selnes (2004), Malthouse and Blattberg (2005), Mittal and Sarkees (2006), Murshed (2005), Reinartz and Kumar (2002), Selden and Colvin (2003), Sharma (2006), Staw (1981), and Zeithaml et al. (2001).

3 Project I: Do US and German Consumers Differ?

Because many service providers offer their differentiated services at an international level, it is crucial to understand whether consumers in different countries perceive differential customer treatment as similarly fair or unfair. *Project I* examines this question in two major service economies, the United States and Germany. Prior to focusing on country differences, the general principles of service fairness are introduced.

3.1 Theoretical Basis: Service Fairness and Differential Treatment

“Would you want your daughter to marry a marketing man?” This rhetorical question, posed by Farmer (1967, p. 1) a few decades ago, indicates that marketing has long been considered a business function associated with questionable, unfair actions (Goolsby & Hunt, 1992).[7]

Several authors have pointed out that fairness has gained even more importance in the context of relationship and service marketing. Gundlach and Murphy (1993), for example, highlight that the significance of principles like trust, equity, and responsibility is growing whenever transactional exchanges evolve into relational exchanges. That is, they observe that the often complex and long-ranging character of relational exchanges calls for mechanisms that go beyond the scope of contracts and contract law. In line with this thought, other authors (e.g., O'Malley & Prothero, 2004) note that the term *relationship* marketing per se, as well as its connotations like cooperation and mutuality, entail a certain obligation to the consumer. In terms of services, Seiders and Berry (1998, p. 8) underline that “fairness is especially important for service firms, whose product is intangible and difficult to evaluate, forcing the consumer to rely on trust.” Moreover, service providers take a great interest in consumers who consider them fair—since many services involve the active participation and collaboration of customers (Vargo & Lusch, 2004).

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[7] Interestingly, this perception of marketing seems to be widespread among business executives and consumers alike. In a large survey among business executives, Baumhart (1961) found, for example, that five out of eight topics that were identified as most unethical referred to marketing activities, such as unfair pricing and dishonest advertising. Similarly, consumers display a certain degree of skepticism toward marketing activities even if they are genuinely fair. Bolton et al. (2003), for instance, demonstrate that consumers tend to believe that selling prices of goods and services are generally too high and thus unfair because they do not consider factors like inflation or vendor costs.

Seiders and Berry (1998, p. 9) define *service fairness* as "a customer's perception of the degree of justice in a service firm's behavior." They distinguish—in line with further justice researchers in other contexts (Cohen-Charash & Spector, 2001)—three types of justice, namely *distributive*, *procedural*, and *interactional* justice. Table 4 characterizes these justice types in more detail. Please note that, following prior research, this thesis uses the terms *justice/just* and *fairness/fair* interchangeably (for an overview, see Finkel, 2000).

Table 4 *Types of Justice in the Context of Service Fairness*

Type of justice	Principles/characteristics
- *Distributive justice* Refers to the allocation (distribution) of outcomes.	- *Equity*—Customers' outcomes are proportional to their inputs.[a] - *Equality*—All customers are entitled to the same outcome, independent of their inputs. - *Need*—Customers' rewards are on par with their needs.
- *Procedural justice* Refers to the procedures or systems used in determining outcomes.	- Procedures should meet several standards: Privacy, transparency, consistency, bias suppression, accuracy, correctability, representativeness, and ethicality.
- *Interactional justice* Refers to the interpersonal treatment customers receive from service providers.	- Customer treatment should be characterized by: Respect, honesty, and courtesy.

Note. Adapted from Leventhal (1980), McColl-Kennedy and Sparks (2003), and Seiders and Berry (1998).
[a] To prevent ambiguity, please note that *equity theory* (Adams, 1963) focuses on individuals' *comparisons* between perceived input-outcome ratios. That is, at least two input-outcome ratios are involved. The present work uses the term *equity* when referring to the *equity principle* (i.e., the proportionality of inputs and outcomes). Thus, strictly speaking, only one input-outcome ratio needs to be involved.

Because differential customer treatment most obviously implies an unequal *distribution* of goods and services, the present work focuses on *distributive justice*.[8] The principles of distributive justice will be introduced in more detail in the following.

[8] Following Cohen's principles (1990), the present work concentrates on one justice aspect—distributive justice. This does not imply, however, that the remaining justice principles may be irrelevant. The possible impact of procedural and interactional justice is elaborated on in Chapter 3.5 of this dissertation.

The question of what constitutes a just distribution of resources has a long-standing tradition in different disciplines, such as philosophy (e.g., Nozick, 1974; Rawls, 1971),[9] sociology (e.g., Blau, 1964; Homans, 1958), social psychology (e.g., Deutsch, 1975), religion, and law (for an overview, see Hegtvedt, 1992). Philosophical discussions of distributive justice are generally normative in nature (i.e., concerned with what is good and right and what we ought to do), whereas social-psychological research is frequently descriptive in nature (i.e., concerned with what people think is just). As mentioned in the introduction, the present work follows this descriptive, social-psychological tradition. In this context, Finkel (2000, p. 898) speaks of "commonsense notions of unfairness." Although he argues that individuals' unfairness claims are multifaceted and not built up from "lofty concepts" (p. 900), he observes, in line with the research approach of this thesis, that outcome distributions tend to matter more than processes in individuals' minds and that differential treatment is an important source of unfairness perceptions.

Distributive justice generally refers to the proportionality of inputs and outcomes (in a society). Inputs are defined as someone's contribution to an exchange, whereas outcomes are defined as the consequences of an exchange; positive consequences can be described as rewards and negative consequences as costs (Walster, Berscheid, & Walster, 1973). If inputs and outcomes behave exactly proportional, *equity* is obtained. If outcomes are allocated independently of inputs to ensure an equal allocation of resources, *equality* is obtained (Seiders & Berry, 1998). Sometimes—as shown in Table 4—three principles of distributive justice are conceptually distinguished—*equity*, *equality*, and *need* (Deutsch, 1975). Still, the present work follows Rasinski (1987, p. 204) who has illustrated empirically that "multiple principles are internally represented as two dimensions" that can be labeled *equity* and *equality*.

[9] The philosophical discussion of distributive justice can be traced back to Plato's *Republic* and Aristotle's *Nicomachean Ethics* (Cohen, 1987). Plato argues that, in a just society, distributions are based on the roles and positions of its members (see Hegtvedt, 1992). In the fifth book of the *Nicomachean Ethics*, Aristotle (reprint 1983) argues that, in the context of transactions, justice has the character of arithmetical proportionality. More than two thousand years later, Rawls (1971) and Nozick (1974) brought forward highly influential works on this topic. In reflecting on how rights, duties, and advantages should be distributed in society, Rawls (1971, p. 301) writes that "social and economic inequalities are to be arranged so that they are both: a) to the greatest benefit of the least advantaged … and b) attached to offices and positions open to all under conditions of fair equality of opportunity." He also states that people would develop just principles if they would live behind a *veil of ignorance* (i.e., not knowing their own status in society). Rawls' view is often contrasted with the entitlement theory of Nozick (1974), who sets forth that distributions should be based on individual entitlements in a free market (without explicitly considering the least advantaged group in society).

The equity principle bears a relation to the norm of reciprocity. Reciprocity has been described as a powerful, universal moral norm in social interactions (Gouldner, 1960) and also in economic domains (Fehr & Gächter, 2000). It implies that people feel a mutual obligation to return benefits. In contrast to the principle of equity, however, benefits given and returned do not have to be exactly equivalent from the perspective of reciprocity (see also Chapter 4 on the distinction between social norms and market norms).

From the equity-perspective, differential treatment can be considered fair (Hohm et al., 2006): Only customers with high inputs (e.g., many substantial purchases over time) can expect high outcomes (e.g., extra services). An ongoing investment in unprofitable customers could be regarded as a waste of resources or an *escalation of commitment* (Staw, 1981).

According to the equity-rationale, customers might not expect special service if they have not invested a lot. If tourists book a low-cost-carrier flight, for instance, they neither expect an on-board meal nor large legroom. On the contrary, loyal customers probably expect special treatment. Selden and Colvin (2003, p. 1), for example, tell the story of a longtime bank customer with large balances calling his bank—and to his disappointment, he feels treated like he had called the "Bank of Outer Mongolia." Likewise, Fournier, Dobscha, and Mick (1998, p. 46) quote a loyal customer of a car rental company: "Hell, I spend a lot of money here ... I should be a valued customer. But instead, the company is making me feel like chopped liver."

From the equality-perspective, differential customer treatment can be considered unfair. In this regard, several authors have cautioned against a *consumer apartheid* or social exclusion of consumers (Brady, 2000; Schaar, 2007). Even Deutsch (1975), who points out that equity will be the dominant justice principle in societies that focus on economic productivity, warns against the accumulation of rewards in the hands of a small group of people.

In this context, it is important to note that, in Western societies, some services are regarded as *universal service obligations*—for example services pertaining to water sanitation, electricity, and heating (Mittal et al., 2008; Murshed, 2005). A waste management company in New York that wanted to terminate unprofitable business relationships was ordered by a city agency to continue its service, for example (Lueck, 2000). In Germany, a certain level of postal and telecommunication services has to be carried out by providers at a reasonable price for the general public. The *Deutsche Post*, for instance, could not stop delivering letters to remote villages or houses that are difficult to access (and therefore unprofitable to serve). The obligation for companies to contract in certain sectors—a further example in Germany is the automobile liability insurance—therefore legally confines a company's possibilities to divest unprofitable customers and guarantees certain services for customers (for a comprehensive discussion of the legal foundation of the obligation to contract in Germany see Busche, 1999). Yet, critics of differential customer treatment argue that legal constraints are not sufficient. In Germany and in the United States, where the OECD (2008) has observed a widening gap between the rich and the poor, differential treatment may intensify this *Matthew effect*.[10]

Previous research (Davey, Bobocel, Son Hing, & Zanna, 1999; Rasinski, 1987) has shown that individuals display stable differences in terms of their preference for equity versus equality. Because fairness preferences are not consistently related to individuals' self-interest and personal advantage (Fehr & Schmidt, 1999),[11] they can be considered an expression of the human justice motive (Lerner, 2003). In the present work, the idea of individual differences in the preference for equity versus equality is applied to the context of economic exchanges and differential customer treatment:

> Hypothesis 1 (H1): The more consumers prefer the principle of equity to the principle of equality in economic exchanges, the less unfair they consider differential customer treatment.

As mentioned in the introduction, unfairness perceptions can lead to intense, vindictive consumer reactions (Seiders & Berry, 1998). Thus, if a consumer regards differential treatment as unfair and is personally affected by this strategy, he or she should react negatively to both non-preferred *and* preferred treatment. Similarly, equity theory (Adams, 1963)[12] predicts that individuals perceive distress when they feel that they are either under- or overbenefited: As dealt with briefly in Table 4, equity theory states that individuals feel treated unfairly in case their input-outcome ratio stands in an obverse relation to the input-outcome ratio of a referent

[10] The term *Matthew effect* was originally coined by Merton (1968) to describe the phenomenon that—analogous to Matthew 25:29 "For unto every one that hath shall be given"—already famous scientists are given more credit than unknown researchers. The term has also been applied in sociology and political economy (e.g., Wade, 2004), expressing that the rich get richer and the poor get poorer.

[11] Note that in economics (e.g., Fehr & Schmidt, 1999) and sometimes also in marketing (e.g., Wangenheim & Bayón, 2007), the terms *fairness* and *equity* are used as synonyms, whereas this work follows the tradition of Deutsch (1975) who regards equity as one possible fairness principle among others (see Table 4).

[12] Equity theory has stimulated a lot of research in the past decades, for example in organizational contexts (e.g., research on pay inequalities, Cowherd & Levine, 1992), in social relationships (e.g., Walster et al., 1973), and in marketing (e.g., Huppertz, Arenson, & Evans, 1978; Oliver & Swan, 1989; Wangenheim & Bayón, 2007).

other. That is, equity theory has introduced a comparative perspective. Although Adams (1963) states that the threshold for feeling overbenefited is somewhat greater than the threshold for feeling underbenefited (i.e., an overcompensation can be rationalized as luck), I assume that consumers who consider differential customer treatment unfair in general will not jettison their principles completely when they are preferred themselves. Hence, translated into the present context, I assume that consumers who prefer the equality principle and thus consider differential customer treatment unfair will feel distress (i.e., feel overbenefited) if treated preferentially (i.e., a social comparison with other consumers who receive less is involved).

> Hypothesis 2 (H2): The more unfair consumers perceive differential customer treatment, the more negatively they react to both non-preferred treatment (H2a) and preferred treatment (H2b).

As illustrated in Figure 5, fairness is considered a mediator variable, mediating the relationship between *equity preference* and the *reaction to (non-)preferred treatment*. The structure presented is assumed to hold across countries, whereas country differences are expected in mean levels. Because this work aims to understand fairness perceptions of differential customer treatment in Germany and the United States, the next section highlights this perspective.

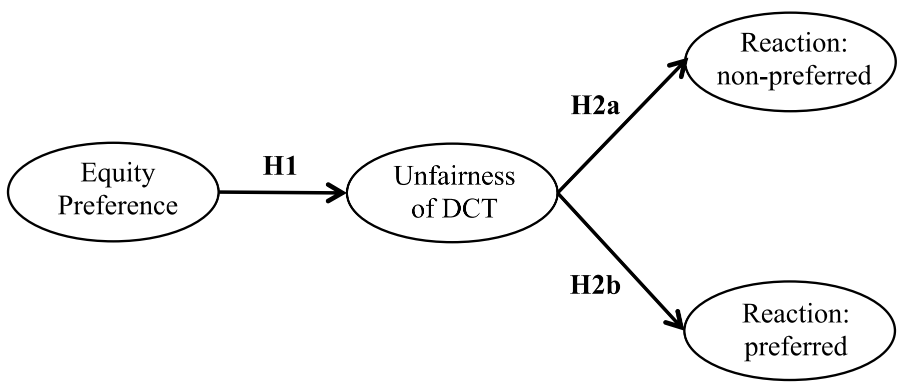

Figure 5. Hypothesized Structural Model with Fairness as Mediating Variable
DCT = differential customer treatment.

3.2 The Idea of American Exceptionalism: Hypothesized Country Differences

Following the proposition that "those who know only one country know no country" (Lipset, 1996, p. 17), two countries—the United States and Germany—have been selected as a starting point for understanding the consumer perspective on differential customer treatment for the following reasons. Both countries are important, major advanced economies with a strong service sector—the percentage contribution of services to the total gross domestic product is above 70% in both markets (CIA, 2009b). The economic ties between both countries are strong, with many service providers offering services in both markets, for example *United Airlines*, *Lufthansa*, *Deutsche Bank*, *Motorola,* and *T-Mobile*, to just name a few.

Furthermore, it can be assumed that citizens of both countries hold the same *fairness baseline.* That is, data from the World Values Survey (2006) show that US Americans and Germans express the same level of trust and confidence when asked about the fairness of their fellow citizens (barely half of the respondents express confidence) and the country's major companies (a fourth of the respondents express confidence).

In addition, both countries can be described as modernized, historically Protestant Western cultures (Huntington, 1993; Inglehart & Baker, 2000) with strong similarities in terms of Hofstede's classic *power distance* dimension, which pertains to attitudes toward *unequal distributions* of power (Hofstede, 2001). Even though the United States and Germany are alike on the aspects above, differences in the perceived fairness of differential customer treatment are nonetheless likely.

Although Germany (or, even more general, Western European countries) and the United States are economically developed, affluent societies with a similar cultural heritage (Inglehart & Baker, 2000), the United States is often described as an exceptional case when it comes to matters of (in)equality. The view of the United States as exceptional is adopted from Lipset (1996), who has borrowed this idea from Tocqueville's classic work on *Democracy in America* (2003/1835). In a narrower sense, *Exceptionalism* refers to the lack of a socialist movement in the history of the United States (Lipset, 1996).[13] Lipset (1996, p. 13) points to

[13] Contrary to the idea of American Exceptionalism, another research stream in sociology puts forward that US Americans would *not* stand out when it comes to questions of (in)equality (e.g., Osberg & Smeeding, 2006). Still, these authors also find that US Americans are generally less concerned about wage minimums for the bottom end of the income distribution than citizens of other Western nations.

the historical roots of the United States to explain that the United States is "qualitatively different from … other Western nations." In this context, he stresses that US Americans believe strongly in equality of opportunity—not equality of outcome.

The United States is usually regarded as "the epitome of equality" in the context of politics—yet, the country is also considered "the paragon of inequality" from an economic perspective (Verba & Orren, 1985, preface, p. VII). To clarify the positioning of the present work within these poles, Table 5 presents important distinctions in the context of research on inequalities. As indicated in Table 5, there is abundant empirical evidence in the social sciences that US Americans are 'a special case' when it comes to attitudes toward economic inequalities and distributive justice. It has been shown, for example, that most US Americans "believe that economic inequality is just in principle" and that they "endorse individual and societal equity as just criteria for the distribution of income" (Kluegel & Smith, 1986, p. 141). Lane (2004, p. 217) even speaks of a "fear of equality." Interestingly, this mindset is not only widespread among the country's upper echelons, as shown in a quantitative study among leaders from different sectors (Verba & Orren, 1985)—it is also prevalent among the general population, as shown in both a qualitative interview study (Hochschild, 1981) and a nationally representative survey (Kluegel & Smith, 1986).

Table 5 *Aspects of Inequality and Their Relation to the Present Project*

(In)Equality: Two fundamental distinctions	*American Exceptionalism*	Focus of this project
Economic vs. political equality	The United States is characterized by political equality, egalitarian social relations, but huge economic inequalities (Verba & Orren, 1985). The economic inequalities in Germany are smaller (CIA, 2009a; Hradil, 2006).	Differential customer treatment relates to the realm of *economic* inequality.
Equality of opportunity vs. equality of result	US Americans are shown to strongly believe in the idea of "an equal race, not an equal position at the finish line" (Verba & Orren, 1985, p. 71). This idea of equality of opportunity does not prevail in similar strength in Germany (e.g., Alesina, Glaeser, & Sacerdote, 2001).	Differential customer treatment leads to inequality of *results*. In evaluating differential customer treatment, however, thoughts about (in)equality of opportunity may be important (see Study 2 of *Project I*).

Note. The presented distinctions follow Verba and Orren (1985).

The aforementioned study of Verba and Orren (1985, p. 165), in which leaders from business, the media, labor, political parties, and the feminist movement have been surveyed, finds that all groups, some of them rather egalitarian, consider substantial payment gaps between contrasting pairs of occupations fair. The authors highlight that this fact "shows that their commitment to income equality is limited." Similarly, Kluegel and Smith (1986) show in their representative survey of the US population that respondents strongly endorse individual freedom, whereas they rather disapprove of equality of outcome.

In terms of redistribution, Hochschild (1981) demonstrates in her qualitative interview study on *American Beliefs About Distributive Justice* that in the United States, a country that has never experienced a widespread socialist movement among the poor, both the rich *and* the nonrich are against a downward redistribution of wealth. Hochschild (1981, p. 12/13) argues that "Americans do not seek equality because they hope to become unequal … on this issue, both the masses and the elites in the United States differ sharply from their European counterparts."

Even though comparisons between countries or even (sub)continents seem to be highly general and do not account for the rich diversity of attitudes *within* countries, it has been argued repeatedly that European countries and the United States differ in (history-dependent) *collective beliefs* about distributive justice (Bénabou & Tirole, 2006). It is obvious, for example, that European countries are characterized by a more "generous safety net … higher taxes … and a more extensive welfare state" (Bénabou & Tirole, 2006, p. 700). That is, redistribution and equality are valued higher.[14] Thus, although culture—often defined as "the collective programming of the mind" (Hofstede, 2001, p. 9)—does not necessarily coincide with national borders, the present thesis follows authors (e.g., Steenkamp, 2001) who have emphasized that country comparisons are meaningful—because within-country communalities (e.g., in terms of shared values and beliefs) are usually higher than between-country communalities.

In the present work, Germany—the most heavily populated country in Europe as well as Europe's largest national economy (Eurostat, 2010)—is taken as a representative of a European 'Old World' society. In contrast to the United States, Germany has not only experienced a socialist movement in history, but Germans are also skeptical toward the currently rising

[14] It has also been demonstrated that citizens of post-socialist Eastern European countries place an even higher value on economic equality than citizens of Western European countries (Suhrcke, 2001). In Germany, however, the former Eastern and Western parts do not differ markedly in this respect (Delhey, 2001).

income inequality (The Economist, 2006)—although the actual income inequality in Germany is lower than in the United States (CIA, 2009a). Overall, economic inequalities are a frequently discussed topic in Germany, both in the press (e.g., Schultz, 2007) and in academia (e.g., Hradil, 2001).

Following the idea of American Exceptionalism, research on different collective beliefs about distributive justice in Germany (Europe) and the United States, as well as the reasoning of the previous section (Chapter 3.1), I hypothesize that:

> Hypothesis 3 (H3): US consumers display a stronger preference for the equity principle than German consumers.

> Hypothesis 4 (H4): US consumers consider differential customer treatment less unfair than German consumers.

> Hypothesis 5 (H5): US consumers react less negatively than German consumers to both non-preferred treatment (H5a) and preferred treatment (H5b).

Thus the same structure is expected to hold both in the United States and Germany (H1–H2, see Figure 5), but country differences are assumed in mean levels (H3–H5). To test the hypotheses developed above, I conducted a general consumer online survey in both countries (Study 1).

Because two countries are compared, the present study implies "an etic point of departure" (Hofstede, 2001, p. 26). The etic approach is regarded as adequate for two reasons. Firstly, service providers in both countries apply differential customer treatment (see Appendix A for examples). Secondly, research on equity and equality has a tradition in both countries, as pointed out in the present chapter. That is, the basic concepts of the present study are familiar in both Germany and the United States. The comparability of the scales used will be tested via measurement invariance analyses (Steenkamp & Baumgartner, 1998).[15]

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[15] For more information on the distinction between etic and emic approaches, see Pike (1967) and Berry (1999).

3.3 Study 1: How US and German Consumers Differ

3.3.1 Method

Participants. Study 1 examined the presented hypotheses using a descriptive, within-subjects design. A general consumer online survey was conducted in the United States and Germany. The online format was chosen because both the Unites States (US) and Germany (DE) are among the countries with the highest Internet penetration rate of the world (Internet World Stats, 2010a, 2010b). That is, it can be argued that the online population does not differ markedly from the general population.[16] The survey was programmed with Unipark software. The survey link was then sent to a professional market research institute that has been commissioned to send the link to stratified samples (in terms of gender, age, and education) in the United States and Germany. From the institute, respondents received approximately USD 2.20 (1.50 EUR) for their participation. The final samples (N = 260 US respondents and N = 271 German respondents) resulted from a quality check in terms of multivariate outliers (Tabachnick & Fidell, 2000)[17] and from the exclusion of respondents who completed the survey dubiously fast (under 7.5 minutes). On average, respondents needed 21 minutes to complete the survey. The raw number of respondents was N = 285 and N = 279, respectively.

The final samples (N = 260 US respondents and N = 271 German respondents) were stratified by gender (50% women in the US and 53% women in DE), age (range in both countries was 18–65 years; M_{US} = 41.96, SD_{US} = 13.61; M_{DE} = 42.94, SD_{DE} = 12.83), and education (85% with high-school diploma in the US and 40% with university-entrance diploma in DE; these percentages were chosen on the basis of data from the U.S. Census Bureau, 2009, and from the Federal Statistical Office Germany, 2006). Apart from the stratification in terms of gender, age, and education, the samples were also similar in terms of occupational status. Yet, the household size and the number of children living in a household were somewhat higher in the US sample. A more detailed sample description can be found in Appendix C. From the German sample, 26% grew up in the former German Democratic Republic (GDR).

[16] Further advantages of online surveys, for example the prevention of missing data, are discussed by Evans and Mathur (2005).
[17] The Mahalanobis distance criterion described by Tabachnick and Fidell (2000) was used. That is, multivariate outliers were identified via multiple regression with a dummy dependent variable and all variables of interest as independent variables.

To assess the retest-reliability and to roughly control for the survey participants' consistency motif that may cause common method bias, a central construct—equity preference—was assessed again in a second survey to a subsample of the same groups 10 days after the first assessment (n = 127 US respondents and n = 134 German respondents). The subsamples correspond to the initial full samples in terms of gender (50% women in the US and 53% women in DE), age (range 18–65 years; M_{US} = 42.80, SD_{US} = 13.27; M_{DE} = 44.77, SD_{DE} = 13.27), and education (89% with high-school diploma in the US and 35% with university-entrance diploma in DE).

Materials and Procedure. The questionnaire comprised three parts.[18] At first—following an introduction and screening questions on gender, age, and education—respondents were presented four company vignettes (telecommunications provider, bank, airline, and medical services) in random order. These vignettes, which have been pretested (following Hunt, Sparkman, & Wilcox, 1982) in a small sample including marketing academics (N = 46), described typical measures by which the given service provider is differentiating between (un)profitable customers (vignettes can be found in Appendix D). The respective industries and the described measures have been selected on the basis of press articles, information from the Federation of German Consumer Organizations (vzbv), and a qualitative pre-study that involved interviews with consumers (N = 7) as well as experts from different industries and consultancies (N = 11; detailed information on the qualitative pre-study is presented in Appendix E). After each of the four vignettes, respondents were asked how fair they perceive the described differential customer treatment strategies and how they would react in terms of affect, WOM, and loyalty intentions if either preferred or non-preferred by this respective service provider.[19] Intended reactions were assessed on bipolar, 5-point scales (affect: 1 = *get very angry* and 5 = *be very pleased*; WOM: 1 = *advise others against this service provider* and 5 = *recommend this service provider to others*; loyalty intentions: 1 = *switch the provider* and 5 = *stay a loyal customer*).[20] For further analyses, however, these items were aggregated into the scales *reaction to preferred treatment* and *reaction to non-preferred treatment* for each industry and country (range of Cronbach's α was .88–.93). Fairness of differential customer treatment was measured using three bipolar, 5-point scale items (1 = *fair* and 5 = *unfair*). The first item referred to the top priority treatment of the service provider's best customers, the second

[18] Two bilingual speakers (native in English and German and native in English and Spanish, respectively) guided the translation of the questionnaire from German to English.
[19] These variables can be considered classic dependent variables in marketing (also see Chapter 2.3.1).
[20] Five-point scales were used because they are usually considered to express an appropriate level of granularity in surveys of the general public (Rohrmann, 1978).

item referred to the non-preferred treatment of ‘average’ customers, and the third item referred to the divestment of unprofitable customers (see Appendix D). For further analyses, these items were also aggregated into a fairness scale for each industry and country (range of Cronbach’s α was .70–.86).

In the second part of the questionnaire, respondents were asked questions pertaining to several values and traits, including social desirability (Crowne & Marlowe, 1960; Stöber, 1999) and their general preference for equity versus equality in economic exchanges. This equity preference scale (see Appendix D for the final scale) comprised four items and was newly developed since no established scale on the preference for equity versus equality was found in the context of general economic exchanges.[21] Following Podsakoff, MacKenzie, Jeong-Yeon, and Podsakoff (2003), the scale format was varied (see Appendix D). After internal consistency and confirmatory factor analyses (CFA), the number of items was reduced to three items (Cronbach’s α_{US} = .65, retest-reliability$_{US_half_sample}$ = .66; Cronbach’s α_{DE} = .66, retest-reliability$_{DE_half_sample}$ = .60).[22]

The third part of the questionnaire finally comprised socio-demographic questions (also see Appendix D). These questions pertained to the respondents’ household size, the number of children (under 18 years) living in household, their employment status, their household income, and their educational background in business administration or economics. A voting poll was also included. In the German version, respondents were also asked if they grew up in the former Eastern part of Germany. Personal questions (i.e., questions on income, political attitudes, and occupational status) were not mandatory. Thus missing data were only present in terms of these items. All remaining items in the questionnaire were mandatory.

Assumptions. Data were analyzed using structural equation modeling (SEM) because structural equation models allow testing both measurement issues and structural relations among

[21] The two scales mentioned in Chapter 3.1 are not fully suitable in the present context. Davey et al.’s scale (1999) refers primarily to organizational contexts (e.g., “in organizations, people who do their job well ought to rise to the top“), and some items of Rasinskis’s scale (1987) are not neutral (e.g., “there are too many people getting something for nothing in this society“). A further distributive justice scale (Kumar, Scheer, & Steenkamp, 1995) is explicitly focused on relationships between suppliers and car dealers.

[22] In the pretest (N = 46 German respondents), the 3-item equity preference scale displayed slightly better psychometric properties (Cronbach’s α = .77). Because this scale is newly developed, Cronbach’s α values ≥ .60 can be regarded as acceptable (Peterson, 1994). Following Aaker (1997), retest-reliability values ≥ .60 are considered satisfactory. In addition, significantly negative associations between equity preference and unfairness of differential treatment also emerged on single item level. In Study 2, the scale was developed further.

latent variables (Baumgartner & Homburg, 1996).[23] When using SEM, multivariate normality and independence of observations are assumed. Since (multivariate) normality is rarely given—and has been called a "myth" (Geary, 1947, p. 241) or as probable as "the unicorn" (Micceri, 1989, p. 156)—several estimation methods have been developed that are robust to non-normality. In this study, multivariate normality was tested using PRELIS. The analyses yielded a skewness and kurtosis chi-suqare of 5891.64 (p < .001) and a relative multivariate kurtosis of 1.42. Thus multivariate normality is not given. Therefore MLR—that allows maximum likelihood estimations with standard errors that are robust to non-normality—was chosen as estimation method for further analyses in Mplus (Muthén & Muthén, 1998-2007).

Apart from the normality assumption, SEM requires that data are gathered from independent observations (Bentler & Chou, 1987). That is, the answers of one respondent should not influence the answers of other respondents. This prerequisite can be regarded as given in the present online survey. However, each respondent was measured four times (i.e., each respondent evaluated differential customer treatment in four different industries). To control for possible order effects, the industry vignettes have been randomly rotated, as described earlier. Further analyses revealed that the order of the company vignettes shows no substantial effect on the respondents' fairness evaluations: In each country, the fairness perceptions of the subsample that evaluated a certain industry vignette first was compared with the subsample that evaluated this specific vignette as second, third, or fourth vignette. That is, eight (2 countries × 4 industries) t tests were performed. In this analysis, only one significant difference was found with regard to the telecommunications vignette in Germany (n_{first} = 65, M_{first} = 3.63, SD_{first} = 1.19; n_{not_first} = 206, M_{not_first} = 3.95, SD_{not_first} = .95), $t(269)$ = -2.21, p = .03.

When comparing groups (using an SEM approach), measurement invariance is often seen as a further prerequisite. That is, the constructs of interest should exhibit equivalence across groups. Regarding measurement invariance, I followed recommendations of Vandenberg and Lance (2000), Steenkamp and Baumgartner (1998), Byrne, Shavelson, and Muthén (1989),

[23] Because measurement error of observed indicators can be taken into account explicitly and because models (i.e., several relationships and mean structures) can be tested simultaneously as a whole, SEM is sometimes preferred to traditional regression techniques (Kline, 2005). Typical cutoff values of model fit indexes are shown in Appendix G. Besides the advantages mentioned, the SEM approach also entails potential problems: SEM usually requires large sample sizes—Bentler and Chou (1987) recommend a minimum ratio of 5:1 in terms of sample size to number of free parameters—and multivariate normal distributions. Although the assumption of multivariate normality can be bypassed using specific estimation methods, identification problems (e.g., overidentification) or estimation problems (e.g., no convergence) may occur. In terms of the interpretation of SEM findings, it is important to note that causality cannot be inferred prematurely when using cross-sectional data (Baumgartner & Homburg, 1996).

Cheung and Rensvold (2002), and Chen (2007). Thus measurement invariance was tested by a sequence of multigroup CFAs that allows comparing less restricted with more restricted models using the chi-square difference test and delta CFI as decision criteria. Because the present study aims to compare (latent) construct means of two countries across four different industries, the multigroup analysis involved eight groups and tested for configural, metric, and (partial) scalar invariance. The idea of *partial* measurement invariance has been introduced by Byrne et al. (1989) because "in practical applications, full measurement invariance frequently does not hold" (Steenkamp & Baumgartner, 1998, p. 81). Meredith (1993, p. 540) even calls these tests "idealizations." *Partial* measurement invariance requires that at least one item per construct (other than the item fixed to one to define the scale) should be invariant. When deciding which item to constrain and which to free, modification indices were consulted as decision guidance (Steenkamp & Baumgartner, 1998). Overall, measurement invariance analyses showed that partial scalar invariance can be inferred (definitional details and MPlus syntax references can be found in Appendix F). Thus (mean) comparisons between countries and industries are meaningful (Maheswaran & Shavitt, 2000). Hypotheses were tested using the partial scalar model ($\chi^2(466) = 721.40$, RMSEA = .045, SRMR = .052, CFI = .97, TLI = .97). Table 6 displays all steps of the measurement invariance analyses.

Table 6 *Measurement Invariance Analysis of Country × Industry Groups (2 × 4)*

Model	Compared model	χ^2 (df)	$\Delta\chi^2$ (Δdf)[a]	RMSEA (ΔRMSEA)	SRMR (ΔSRMR)	CFI (ΔCFI)	TLI
A Configural		569.47 (376)		.044	.045	.977	.967
B Full metric	A	652.57 (432)	83.27 (56)	.044	.060	.973	.968
D Full scalar	A	1078.56 (488)	507.18 (112)*	.068	.082	.929	.923
E Partial scalar	A	721.40 (466)	152.05 (90)*	.045 (.001)	.052 (.007)	.969 (.008)	.965

Note. Analyses involved four constructs—equity preference, perceived fairness of differential customer treatment, and intended reactions to (non-)preferred treatment. Data were arranged in a panel structure for analyses. Fit indexes are explained in Appendix G. MLR was used as estimator in Mplus (Muthén & Muthén, 1998-2007). Although the χ^2-difference test reached significance in the partial scalar model, invariance can be inferred because ΔCFI is below .010, ΔRMSEA is below .015, and ΔSRMR is below .010 (Chen, 2007). Usually, ΔCFI below .010 is considered the most decisive criterion (Chen 2007). Moreover, the χ^2-difference test is sensitive to sample size (Schermelleh-Engel, Moosbrugger, & Müller, 2003). In addition, the overall fit indexes of the partial scalar model indicate a close fit.

[a] Sattora-Bentler scaled chi-square difference.

*$p < .01$.

Measurement Properties and Common Method Bias. Apart from the overall model fit, the measurement quality of each latent construct was assessed in more detail to ensure reliability and construct validity (Homburg & Giering, 1996). In sum, measurement quality was satisfactory. Cutoff criteria and details for each construct can be found in Appendix G.

Moreover, common method bias (i.e., the problem that some variance in measurements is attributable to the measurement method and not to the measured constructs) was addressed in various ways. In general, the discussion on method biases has a long history in the behavioral sciences (Cote & Buckley, 1987; Podsakoff et al., 2003). Sources of common method bias are diverse and include both characteristics of the respondents (e.g., consistency motif and social desirability) and the items (e.g., item demand characteristics and common scale formats). Podsakoff et al. (2003) recommend several *procedural* and *statistical* remedies. In terms of statistical remedies, *Harman's single-factor test* was performed using a CFA approach. The single-factor solution yielded a poor fit ($\chi^2(558) = 5978.74$, RMSEA = .19, SRMR = .21, CFI = .35, TLI = .38), whereas the hypothesized four-factor-solution yielded a close fit (see partial scalar model above). Following Podsakoff et al. (2003), I also tried to include an unmeasured latent methods factor in the CFA. Yet, as Podsakoff et al. (2003) mention, identification problems occurred. Because this analysis turned out to be mathematically unfeasible in the given dataset, the CFA approach of *Harman's single-factor test* was the strongest available test. Apart from *Harman's single-factor test*, the present study has also considered several procedural remedies. The scale format of the equity preference scale was varied, for instance (see Appendix D). In addition, central variables (equity preference and fairness) were assessed in different parts of the questionnaire (*proximal separation*), and equity preference was, as previously mentioned, also assessed again in a post-survey 10 days after the first assessment in half of the sample (*temporal separation*; results are presented in Table 7). In the context of common method bias, it is also notable that respondents of both countries do not differ in their level of social desirability, $F(1, 529) = 2.28$, $p = .13$.

Mediation. As mentioned in Chapter 3.1, the perceived fairness of differential customer treatment is assumed to act as a mediating variable (see Figure 5). In terms of mediation, the present thesis follows the recent recommendations of Zhao, Lynch, and Chen (2010). In contrast to the classic paper of Baron and Kenny (1986), Zhao et al. (2010, p. 198) emphasize that there is no need for a direct effect to establish mediation: “There should be only one requirement to establish mediation, that the indirect effect ... be significant.“ Moreover, they recommend the bootstrap test of Preacher and Hayes (2004, 2008) as a more powerful test than the commonly used Sobel test (Sobel, 1982). In addition to the approach of Preacher and Hayes, indirect effects are also tested in the SEM model (see also Zhao et al., 2010).

3.3.2 Results

The results section consists of two parts. At first, the hypotheses developed in the previous sections are tested (*main findings*). Subsequently, several additional analyses and methods (e.g., a cluster analysis) are presented, which have been applied for exploratory reasons (*additional findings*).

Main Findings. As shown in Table 7, the test of the structural hypotheses (H1–H2) reveals that equity preference is a good predictor of consumers' unfairness perceptions of differential treatment in all groups (H1). The unfairness perceptions, in turn, predict consumers' reactions to non-preferred treatment (H2a). In terms of preferred treatment, however, unfairness perceptions only predict consumers' reactions in the United States, but not in Germany (H2b).

Table 7 *Study 1: Structural Model Findings*

		γ_{11} EP–Unfairness	β_{21} Unfairness–Negative reaction non-preferred	β_{31} Unfairness–Negative reaction preferred	γ_{21} EP–Negative reaction non-preferred	γ_{31} EP–Negative reaction preferred
US	Telco	-.50** (-.41**)	.41**	.44**	.05	-.03
	Bank	-.59** (-.42**)	.53**	.47**	.16	.05
	Airline	-.31** (-.26*)	.58**	.51**	.10	.13
	Medical	-.39** (-.20*)	.60**	.26**	-.08	-.17
DE	Telco	-.52** (-.45**)	.53**	-.05	.12	-.42**
	Bank	-.47** (-.19)	.47**	.03	-.01	-.43**
	Airline	-.42** (-.30*)	.52**	.17	-.07	-.40**
	Medical	-.31** (-.13)	.61**	.01	-.03	-.34**

Note. EP = equity preference; US = United States; DE = Germany; Telco = telecommunications; Medical = medical services; Gammas and Betas refer to Figure 6. The bracketed γ_{11}-values refer to the post-survey in which equity preference was assessed for a second time in half of the samples (n_{US} = 127 and n_{DE} = 134). That is, the associations between equity preference (second assessment) and unfairness perceptions (first assessment) are presented in parentheses. They are somewhat lower than the associations of the complete samples in the first assessment, but they are still pointing in the expected direction.
**$p < .001$, *$p < .05$.

In line with this pattern, mediation tests (Preacher & Hayes, 2004, 2008; Zhao et al., 2010) confirm that fairness perceptions of differential customer treatment act as a mediator variable in the United States in the context of both preferred and non-preferred treatment. That is, the bootstrap test of Preacher and Hayes leads to 95% confidence intervals that do not include zero in all eight tests. The indirect SEM results are also in accordance with the bootstrap tests. In Germany, however, mediation is only revealed in terms of non-preferred treatment: The Preacher and Hayes intervals are only significant in the four tests involving reaction to non-preferred treatment as dependent variable. Again, the indirect SEM results are in accordance with the bootstrap tests. Thus German consumers take fairness only into consideration when non-preferred. In the case of preferred treatment, they bypass thoughts about fairness. Figure 6 provides a simplified illustration of the results presented, and Table 8 displays the mediation findings in more detail.

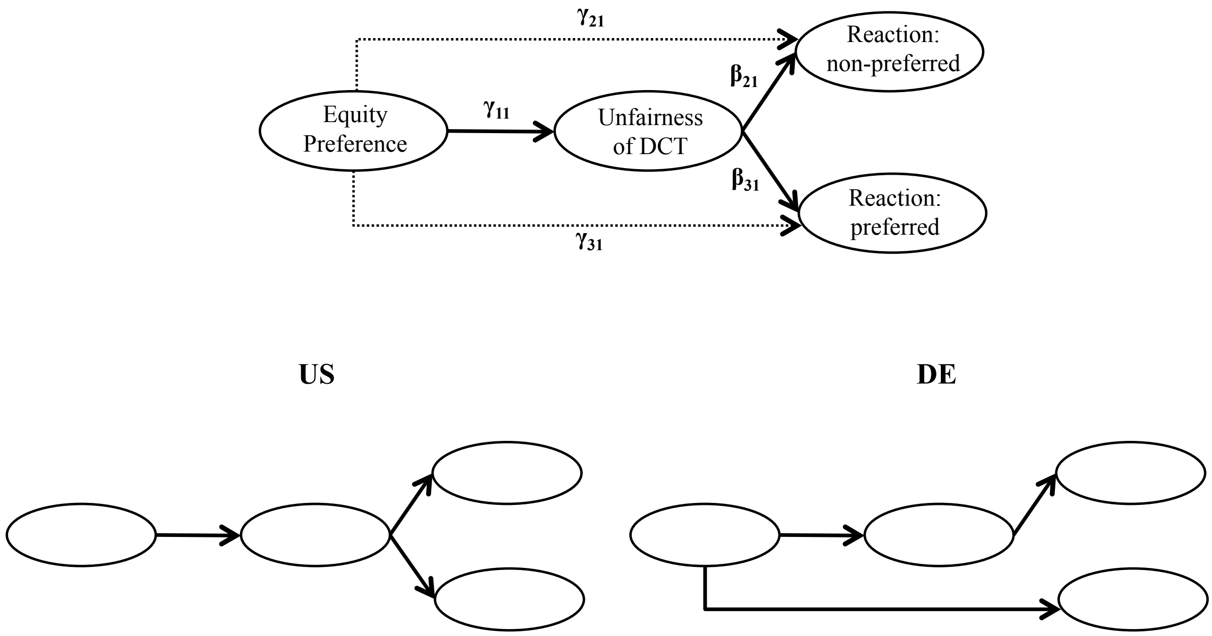

Figure 6. Study 1: Hypothesized Structural Model (Above) and Empirically Found Structure (Below)

Hypothesized structural model for both countries and all four investigated industries (above) and empirically found structure in each country across industries (below). DCT = differential customer treatment. Models are depicted without indicators. γ_{11} refers to H1, β_{21} refers to H2a, and β_{31} refers to H2b. In the empirically found models below, only significant paths ($p < .001$) are displayed.

Table 8 *Study 1: Mediation Analyses*

		Relationship	Preacher & Hayes (2004; 2008): 95% confidence intervals	Indirect effect in SEM (SE)	Form of mediation (MD)
US	Telco	EP → fair → non-pref.	(.064; .199)*	.21 (.07), *p* = .004	indirect-only MD
		EP → fair → pref.	(.098; .293)*	.22 (.07), *p* = .002	indirect-only MD
	Bank	EP → fair → non-pref.	(.121; .264)*	.31 (.07), *p* < .001	indirect-only MD
		EP → fair → pref.	(.150; .367)*	.28 (.08), *p* = .001	indirect-only MD
	Airline	EP → fair → non-pref.	(.021; .157)*	.18 (.06), *p* = .002	indirect-only MD
		EP → fair → pref.	(.025; .197)*	.16 (.05), *p* = .003	indirect-only MD
	Medical	EP → fair → non-pref.	(.089; .224)*	.24 (.06), *p* < .001	indirect-only MD
		EP → fair → pref.	(.061; .208)*	.10 (.04), *p* = .004	indirect-only MD
DE	Telco	EP → fair → non-pref.	(.077; .199)*	.28 (.07), *p* < .001	indirect-only MD
		EP → fair → pref.	(-.047; .104)	.03 (.06), *p* = .660	direct-only nonMD
	Bank	EP → fair → non-pref.	(.064; .157)*	.22 (.05), *p* < .001	indirect-only MD
		EP → fair → pref.	(-.025; .102)	.02 (.04), *p* = .731	direct-only nonMD
	Airline	EP → fair → non-pref.	(.064; .190)*	.22 (.05), *p* < .001	indirect-only MD
		EP → fair → pref.	(-.010; .114)	.07 (.05), *p* = 115	direct-only nonMD
	Medical	EP → fair → non-pref.	(.036; .144)*	.19 (.06), *p* = .001	indirect-only MD
		EP → fair → pref.	(-.020; .080)	.01 (.03), *p* = .891	direct-only nonMD

Note. US = United States; DE = Germany; Telco = telecommunications; Medical = medical services; EP = equity preference; fair = perceived fairness of differential customer treatment; non-pref. = reaction to non-preferred treatment; pref. = reaction to preferred treatment; SEM = structural equation modeling; SE = standard error; MD = mediation. The Preacher and Hayes approach (2004, 2008) is regarded as a stronger test than the Sobel test (Zhao et al., 2010). Number of bootstrap resamples was 5000; the nomenclature of mediation also follows Zhao et al. (2010).
*Preacher and Hayes: The indirect effect is significant if the confidence interval does not include zero.

Subsequent to the structural hypotheses (H1–H2), the mean level hypotheses (H3–H5) were tested on observed and on latent level (Byrne, 1998). Because the analysis of latent means takes measurement error into account, the findings of the latent means analysis are given preference in case observed means deviate from latent means. If both analyses are in accordance, only observed means are reported in the following (see Appendix H for more details).

Contrary to hypothesis H3, US and German respondents do not display differences in terms of their level of equity preference. In both countries, consumers favor a balance between equity and equality (M_{US} = 2.68, SD_{US} = .78; M_{DE} = 2.65, SD_{DE} = .82; due to variation of the scale format, the maximum value of this scale is 4.33), $F(1, 529) = .15$, $p = .70$. Although US and German respondents do not differ in their level of equity preference, significant differences in their fairness perceptions of differential customer treatment are found (H4). Figure 7 demonstrates that US respondents perceive differential customer treatment as less unfair in the context of telecommunications, $F(1, 529) = 22.47$, $p < .001$, banking, $F(1, 529) = 39.21$, $p < .001$, and air travel, $F(1, 529) = 33.23$, $p < .001$. Regarding medical services, US and German respondents do not differ (the difference between the observed means reaches significance, $F(1, 529) = 5.17$, $p = .02$; yet, on latent level, the difference is not significant. When fairness is set to zero in the German sample, the US fairness mean does not differ: $M = -.058$, $p = .49$).

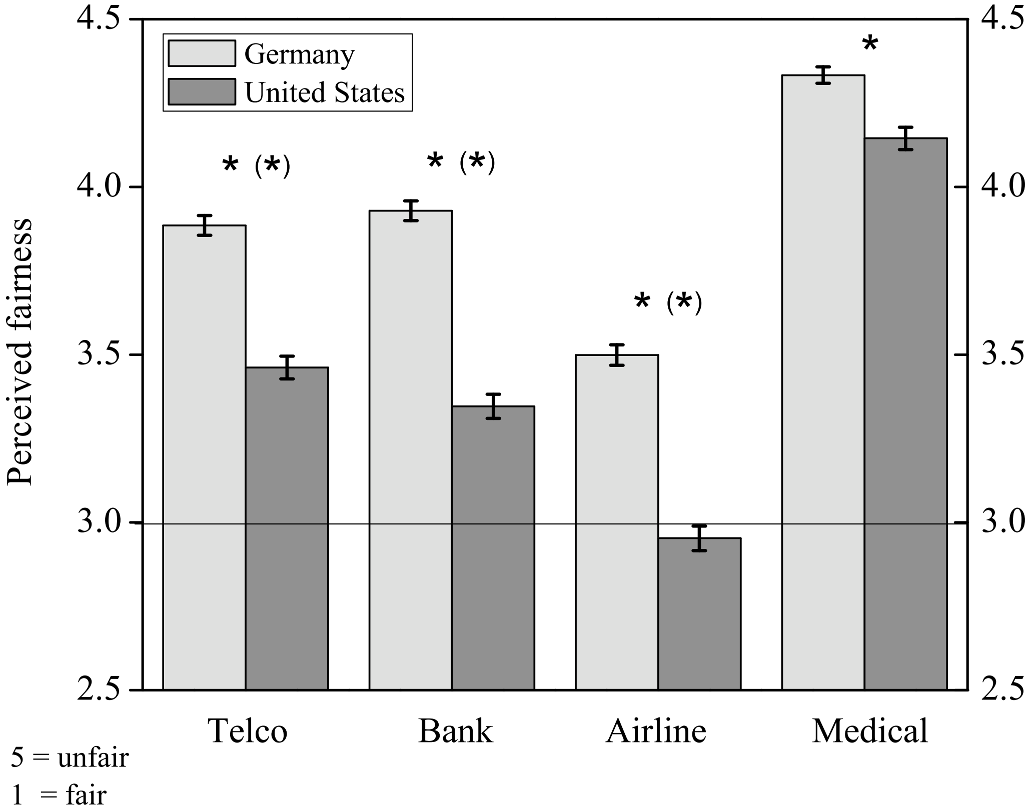

Figure 7. Study 1: Perceived Fairness of Differential Customer Treatment in the United States and Germany

Telco = telecommunications; Medical = medical services; error bars represent standard errors of the mean; *$p < .05$ refer to country differences in observed means; (*)$p < .05$ refer to country differences in latent means; 3 = neutral scale mean.

In line with these findings, Figure 8 shows that US respondents also report reacting less negatively when non-preferred (H5a) in the context of telecommunications, $F(1, 529) = 15.42$, $p < .001$, banking, $F(1, 529) = 15.72$, $p < .001$, and air travel, $F(1, 529) = 1.67$, $p = .19$ (the difference in the airline context is significant on latent level; when the German mean is set to zero, the US mean differs significantly: $M = .20$, $p = .03$). No difference is found concerning medical services, $F(1, 529) = 2.07$, $p = .16$.

Contrary to the hypothesis that US consumers would react less negatively (i.e., more positively) to preferred treatment (H5b), the mean pattern of Figure 8 demonstrates that German respondents report reacting more positively when preferred, across all industries (telecommunications: $F(1, 529) = 11.39$, $p = .001$, banking: $F(1, 529) = 17.91$, $p < .001$, airline: $F(1, 529) = 13.82$, $p < .001$, medical services: $F(1, 529) = 40.18$, $p < .001$).

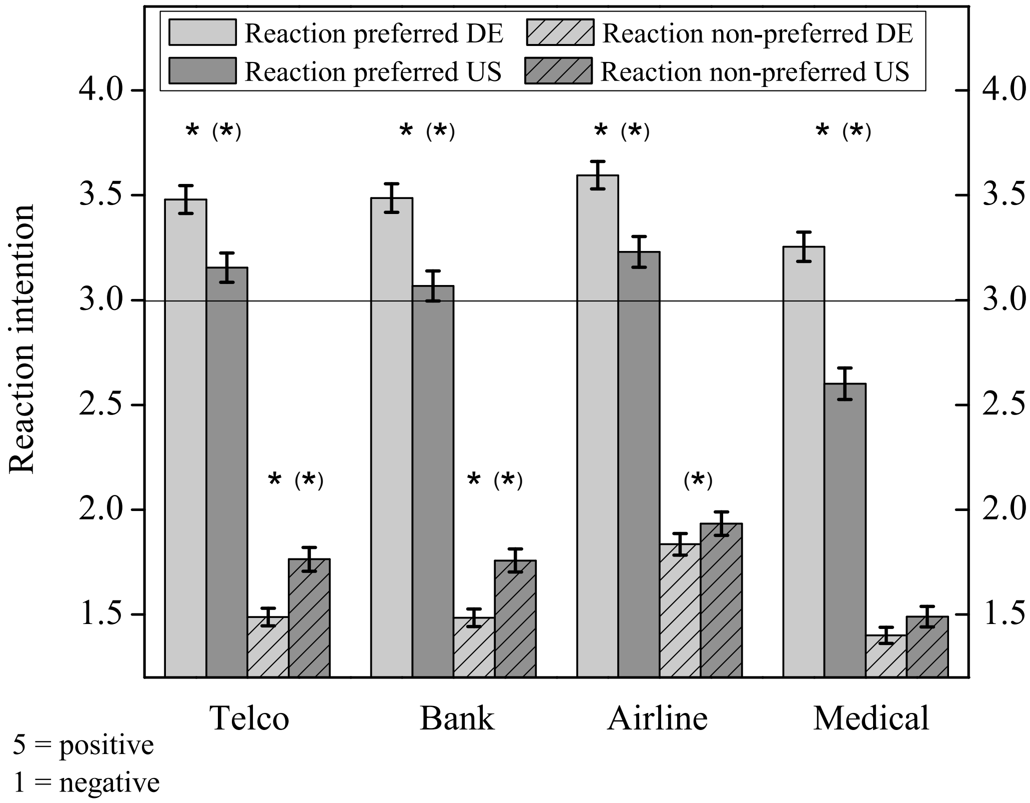

Figure 8. Study 1: Intended Reactions to Preferred and Non-preferred Treatment in the United States and Germany

DE = Germany; US = United States; Telco = telecommunications; Medical = medical services; error bars represent standard errors of the mean; *$p < .05$ refer to country differences in observed means; (*)$p < .05$ refer to country differences in latent means; 3 = neutral scale mean.

Additional Findings. Analyzing consumers' fairness perceptions and reaction intentions, this thesis finds interesting patterns in five additional, exploratory analyses. Firstly—visible in Figure 8—consumers' reactions to non-preferred treatment are considerably more extreme (i.e., farther from the neutral scale mean 3) than consumers' reactions to preferred treatment. That is, in both countries and across industries, *t* tests comparing the distance of consumers' reaction to non-preferred treatment and preferred treatment to the neutral scale mean reach significance in all eight tests: $t(259)$-values in the US sample range from 15.06 to 22.72, $p < .001$; $t(270)$-values in the German sample range from 10.97 to 35.40, $p < .001$.

Secondly, the perceived fairness of differential treatment was analyzed on item level. It turns out that US consumers consider non-preferred treatment of ‘average’ customers not only more unfair than preferential treatment of highly profitable customers, but also more unfair than the divestment of unprofitable customers in the context of airlines and banks. In the context of medical services and telecommunications, divestment and non-preferred treatment of ‘average’ customers are perceived as equally unfair. In contrast, German consumers perceive customer divestment as most unfair across all industries.[24] Figure 9 visualizes this pattern.

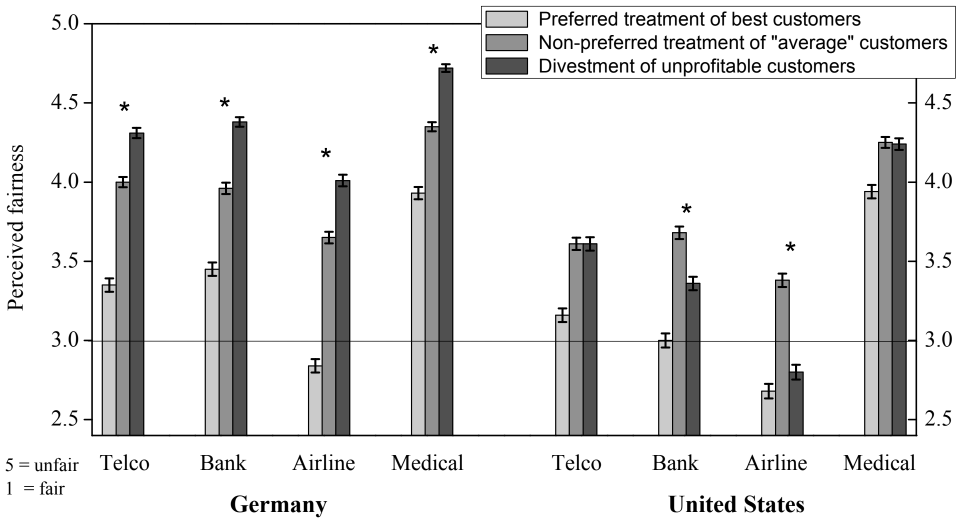

Figure 9. Study 1: Fairness Findings on Item Level
Telco = telecommunications; Medical = medical services; error bars represent standard errors of the mean; $^{*}p < .05$ refer to differences between the item on the perceived fairness of non-preferred treatment of ‘average’ customers and the item on the perceived fairness of customer divestment; 3 = neutral scale mean.

Thirdly, a cluster analysis was performed to explore subgroups with different answer profiles (Malhotra & Birks, 2007). The central scales of Study 1—*equity preference*, *perceived fairness of differential customer treatment*, and *reaction to (non-)preferred treatment*—were analyzed in a cluster analysis using the complete Study 1 dataset ($N = 531$).

[24] Yet, importantly, the country differences in the fairness evaluation of customer divestment do not solely cause the overall fairness differences in terms of differential treatment reported previously. The same industry differences emerge if the third fairness item on customer divestment is excluded from the fairness scales.

Cluster analyses require the selection of a proximity measure and a cluster algorithm (Backhaus, Erichson, Plinke, & Weiber, 2006). When using metric data, the squared Euclidian distance is the proximity measure of choice (Hair & Black, 2000) and has therefore been used in this analysis. Because all constructs in the analyses were measured on a common rating scale format (i.e., variables like age in years or income in dollars were not included) and because multivariate outliers (i.e., respondents with extreme response styles) were excluded (see Chapter 3.3.1), data were not standardized (Hair & Black, 2000). In terms of the cluster algorithm, Ward's hierarchical procedure was chosen because it has been described as "most successful recovering well-separated, minimum varianced clusters with roughly equal numbers of objects" (Breckenridge, 1989, p. 151). As there is no standard statistical criterion for determining the number of clusters, several ways to test the stability of a cluster solution have been suggested. This thesis follows the recommendations of Malhotra and Birks (2007).

The 3-cluster solution displayed in Table 9 emerged as the most meaningful and stable solution. To validate the cluster solution, different strategies were applied (Malhotra & Birks, 2007): If some variables, for example all scales related to telecommunications, are removed from the analysis, the analysis still classifies 80% of the sample in conformity with the original solution. If a different cluster algorithm is used, for example Two-Step clustering, 82% of the sample is classified in accordance with the original classification. If, finally, the sample is randomly split in two halves, the three original clusters can be identified in both halves.

As shown in Table 9, members of the largest cluster (n = 355), labeled *Consistent DCT Proponents*, display the highest level of equity preference, a relatively positive evaluation of differential customer treatment (yet with the exception of the medical services context), and react least negatively when non-preferred and rather positively when preferred. In terms of socio-demographics, this cluster is characterized by a relatively high educational level, a relatively large number of high-income consumers, and a relatively large percentage of conservative/liberal voters. Members of the second cluster (n = 64), labeled *Consistent DCT Critics*, express the lowest level of equity preference. Thus this group considers differential treatment unfair and reacts rather negatively to both non-preferred *and* preferred treatment. Low-income consumers form nearly two thirds of this segment. Members of the third cluster (n = 112), labeled *Inconsistent DCT Critics*, display similar defining characteristics as members of the second cluster. Yet, the third group reacts highly positively when preferred. In line with the main findings of Study 1, German consumers make up the lion's share of this group. Interestingly, female consumers are also overrepresented in this segment, as well as social-democratic/green voters (see Appendix I for significance tests and descriptive statistics).

Table 9 *Study 1: Characteristics of the 3-Cluster Solution*

	Consistent DCT Proponents	*Consistent DCT Critics*	*Inconsistent DCT Critics*
Cluster size	$n = 355$	$n = 64$	$n = 112$
Main cluster characteristics	High(est) level of equity preference DCT considered relatively fair Less negative than others when non-preferred Positive reaction to preferred treatment	Low(est) level of equity preference DCT considered unfair Negative reaction to non-preferred treatment Negative reaction to preferred treatment	Level of equity preference in between DCT considered unfair Negative reaction to non-preferred treatment Most positive reaction to preferred treatment
Country[a]	55% US American	52% US American	29% US American
Gender	46% female	60% female	67% female
Education[b]	67%	41%	59%
Income[c]	36% low 36% middle 13% high (15% n/a)	58% low 20% middle 6% high (16% n/a)	42% low 41% middle 4% high (13% n/a)
Political views[d]	31% conservative/liberal 39% social dem./green (30% n/a)	17% conservative/liberal 42% social dem./green (41% n/a)	14% conservative/liberal 49% social dem./green (37% n/a)
Other (age; social desirability)	No differences	No differences	No differences

Note. DCT = differential customer treatment; see Appendix I for significance tests.
[a] Percentage of US American versus German consumers. In terms of Germany, it is important to note that the pattern of cluster membership of the German respondents who grew up in the former German Democratic Republic does not differ from the pattern of cluster membership of German respondents who grew up in Western Germany.
[b] Education: Percentage of respondents with high school diploma or higher level of education. In terms of business education, it is notable that respondents with some business education do not differ in their pattern of cluster membership from respondents without business education.
[c] Question was not mandatory (n/a = not available); low income refers to a gross monthly household income < 2500 EUR; middle income: 2501–6000 EUR; high income: > 6001 EUR.
[d] Question was not mandatory; conservative/liberal refers to CDU and FDP adherents in Germany and to supporters of the Republican, the Constitution, and the Libertarian Party in the US. Social democratic/green refers to SPD, Bündnis 90 Die Grünen, and Die Linke supporters in Germany and to Democrats and Greens in the US.

Because women are overrepresented in both *Critics*-clusters (see Table 9), gender differences were explored in a further, fourth additional analysis. Results show—especially within Germany, but also within the US—that female consumers consider differential customer treatment more unfair than male consumers (Germany: $F_{Telco}(1, 269) = 6.45$, $p = .01$, $F_{Bank}(1, 269) = 13.34$, $p < .001$, $F_{Airline}(1, 269) = 6.41$, $p = .01$, $F_{Medical}(1,269) = 6.27$, $p = .01$; United States: $F_{Telco}(1, 258) = 5.24$, $p = .02$, $F_{Bank}(1, 258) = 3.71$, $p = .06$, $F_{Airline}(1, 258) = 3.74$, $p = .05$, $F_{Medical}(1, 258) = 17.55$, $p < .001$). Overall, German women are more critical than German men, whereas German men are somewhat more critical than US women (with the exception of the medical context), and US women are more critical than US men (see Appendix I for the complete mean pattern).[25]

The fifth and last exploratory analysis pertained to possible differences between German consumers who grew up in the former German Democratic Republic (GDR) and consumers who grew up in West Germany. This analysis was undertaken because, as mentioned in Chapter 3.2, citizens of former socialist countries may differ from citizens of non-socialist countries in their attitudes toward equality (Suhrcke, 2001). Yet, in line with Delhey (2001), this study finds no substantial differences. German respondents from East and West not only display the same level of equity preference, $F(1, 269) = .27$, $p = .60$, but also consider differential customer treatment similarly (un)fair across all four industries investigated (telecommunications: $F(1, 269) = .20$, $p = .66$; bank: $F(1, 269) = .76$, $p = .39$; airline: $F(1, 269) = .03$, $p = .87$; medical services: $F(1, 269) = 1.17$, $p = .28$). In terms of their intended reactions to differential customer treatment, only one difference reaches significance, showing that citizens who grew up in the Western part of Germany like it even more to be a preferred airline customer, $F(1, 269) = 5.31$, $p = .02$.

[25] Mean differences were also explored in terms of (fe)male consumers' equity preference and their reaction intentions when either preferred or non-preferred. With the exception of the reaction to non-preferred treatment in the airline and in the medical context (where women turn out to react more negatively than men within the United States: $F_{Airline}(1, 258) = 6.77$, $p = .01$, $F_{Medical}(1, 258) = 9.71$, $p = .002$), no gender differences are found in terms of consumer reactions. With regard to equity preference, it turns out that female consumers display a lower level than male consumers in Germany, $F(1, 269) = 9.23$, $p = .003$, whereas no difference is found in the United States, $F(1, 258) = 1.38$, $p = .24$.

3.3.3 Summary

Taken together, Study 1 shows that consumers' equity preference predicts their fairness perceptions of differential customer treatment to a substantial degree. Contrary to my hypothesis, US consumers do *not* report a higher equity preference than German consumers—a balance between equity and equality is favored in both countries. Still, US consumers perceive differential customer treatment as less unfair in all investigated industries except medical services. Consistent with their fairness evaluations, US consumers report reacting less negatively when non-preferred in the context of telecommunications, banking, and air travel. Although German consumers consider differential customer treatment more unfair, they report reacting more positively when preferred in all investigated industries.

In addition, exploratory analyses show that consumers' reactions to non-preferred treatment are generally more intense than consumers' reactions to preferred treatment. Moreover, it is revealed that German consumers especially dislike customer divestment, whereas US consumers are more critical when it comes to non-preferred treatment of 'average' customers. Finally, a cluster analysis shows the tendency that—besides US nationality—male gender, high education, high income, and conservative/liberal political views go together with higher fairness perceptions of differential customer treatment.

3.3.4 Discussion

As expected, consumers' preference for equity versus equality is an underlying principle in their evaluation of differential customer treatment. Yet, surprisingly, US consumers do not display a strong(er) preference for the equity principle as suggested by the classic literature on this topic (e.g., Hochschild, 1981; Kluegel & Smith, 1986).

The present findings rather reflect more recent research from Fong (2001) or Osberg and Smeeding (2006, p. 470), who have indicated that US Americans "do not stand out as particularly different from other countries in general attitudes toward inequality" (see also Chapter 3.2). Thus it is possible that the (motivated) belief in equality of opportunity is culturally engrained in the United States—still, in everyday business life, a more pragmatic, balanced view in terms of equity and equality (of outcome) may be formed. The emphasis on individual philanthropic (i.e., equality-enhancing) commitments in the United States, which is due to the rejection of a powerful central state (Lipset, 1996), may also contribute to US consumers' unexpectedly low level of equity preference.

In line with my expectations, US consumers perceive differential customer treatment as less unfair, with the exception of the medical services context. This exception may be due to the overwhelmingly high value that is attached to health across countries (Wallston, 1991; Hohm et al., 2006). Findings from the qualitative pre-study ($N = 7$ consumers, see Appendix E) also point to this interpretation. During these interviews, participants have described health as a basic right and such an important good that differential treatment based on profitability would be improper in this context.[26] This rationale refers to the idea of a hierarchy of consumer needs (Drakopoulos & Karayiannis, 2007). Such a hierarchy implies that consumers have, most importantly, basic needs. These needs are pressing and must be satisfied before non-basic needs—convenient and luxury needs—come to the fore.[27] To further understand which specific service industries are seen as fulfilling either basic or luxury needs, a short paper-and-pencil study among $N = 395$ undergraduate students at *Technische Universität München* was conducted at the end of two different lectures. This study revealed that air travel is considered rather a luxury ($M_{Airline} = 3.88$, $SD_{Airline} = .96$ on a scale from 1 = *fulfills basic needs* to 5 = *fulfills luxury needs*), whereas medical services are regarded as satisfying basic needs ($M_{Medical} = 1.24$, $SD_{Medical} = .56$). Financial and telecommunications services rank in between ($M_{Fincancial} = 2.34$, $SD_{Financial} = .97$; $M_{Telco} = 2.78$, $SD_{Telco} = .96$; yet, the mean difference is significant, $t(394) = 9.05$, $p = .001$). Although the industry differences in the perceived fairness of differential customer treatment correspond to this pattern quite well in both countries (i.e., it seems that the more luxurious an industry is perceived, the more fair differential treatment is considered), it is possible that the industry differences found in Study 1 may be explained by further factors, for example the possibility to choose among service providers, which is sometimes not given in medical services (also see Chapter 3.3.4 for a discussion of further possible explanations).

In terms of consumers' fairness perceptions, several findings on item level are surprising. As described, US consumers consider non-preferred treatment of 'average' customers partly

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[26] Interestingly, one interviewee pointed out in this context that profitability-based treatment in medical services is not necessarily advantageous to profitable patients (e.g., patients with private health insurance in Germany): They may receive needless therapies or too much medication in case medical service providers aim to maximize their profits. Hence, they are at a greater risk of iatrogenic health problems.

[27] The idea that basic, convenient, and luxury needs correspond to a hierarchy of different economic sectors can be traced back to classical economics (Drakopoulos & Karayiannis, 2007; Smith, 1976/1776).

equally unfair and partly even worse than the divestment of persistently unprofitable customers, whereas German consumers express the strongest fairness concerns with regard to customer divestment. This pattern may be explained by *prospect theory* and, more specifically, the principle of *loss aversion* (Kahneman & Tversky, 1979). In general, prospect theory deals with human decision-making (under risk and uncertainty) and states that people regard outcomes not as total assets but as gains and losses (Kahneman & Tversky, 1984). In this context, Kahneman and Tversky (1984) propose and demonstrate that, in human decisions, "losses loom larger than gains" (Kahneman & Tversky, 1984, p. 346). Simply put, the loss of a small sum of money, for example, is generally more aversive than the gain of the same sum of money is attractive. Thus it is supposable that Germans, who are used to living in a welfare state with a safety net (Alesina et al., 2001), regard the termination of service as a bigger loss than non-preferred treatment. US consumers, on the contrary, are more used to the thought of living without safety nets (Alesina et al., 2001)—customer divestment may be less frightening for them. US consumers may regard mediocre treatment as a bigger loss because—if service is delivered—they usually have higher service expectations than Germans (Witkowski & Wolfinbarger, 2002). A Bachelor's thesis by Limmer (2011), based on $N = 7$ in-depth interviews with German and US consumers, provides first support for this explanation. In addition, the interviewed US consumers express a somewhat stronger tendency than German consumers to take the service provider's perspective. They argue that a company needs to make profit and emphasize that, in a free economy, consumers are also free to switch providers. In addition to Limmer's thesis, current findings from Haenlein and Kaplan (2011) can also be interpreted similarly. As mentioned in Chapter 2.3.6, they show in a US sample that direct abandonment (i.e., customer divestment) leads to highly similar reaction intentions than indirect abandonment (i.e., non-preferred treatment of customers). Hence, again, US consumers are not particularly negative when it comes to customer divestment.

Looking at the findings on item level, this thesis also finds that preferential treatment of a firm's most profitable customers is generally perceived as more fair than non-preferred treatment of 'average' customers. This seems illogical because the superior treatment of one customer group implies that other groups cannot receive the same treatment. That is, not *everybody* can be treated *above average*. This answer pattern may be explained from the angle of loss aversion as well because, as Kahneman and Tversky (1984) state, the framing of outcomes makes a difference. Thus the same outcome will be evaluated differently depending on the framing as a *loss* or a *gain*. Superior treatment of customers is likely to be considered a gain, whereas non-superior treatment is likely to be considered a loss.

In terms of consumers' reactions, the answer pattern is largely consistent with my hypotheses in the United States, but not in Germany. German consumers seem to be not principled with regard to differential customer treatment. Even though they consider differential treatment more unfair in three out of four investigated industries, they generally report reacting more positively when preferred. Thus they seem to apply different standards when asked on a *macrojustice* level (i.e., pertaining to the welfare of a whole group) than when asked on a *micro-justice* level (i.e., pertaining to individual outcomes) (Brickman, Folger, Goode, & Schul, 1981). Although this finding may be explained by the mediator tests—which demonstrate that fairness perceptions do not act as a mediator in terms of preferred treatment in the German sample—it remains an open question *why* fairness evaluations are 'disconnected' in the German sample when it comes to personal benefits. When personally affected by differential treatment, German consumers seem to feel underbenefited in the case of non-preferred treatment but *not* overbenefited (i.e., feeling no distress) in the case of preferred treatment. In terms of equity theory (Adams, 1963), which states that individuals compare their own input-outcome ratio with the input-outcome ratio of a referent other, it may be possible that German consumers do not compare their ratio to the ratio of other consumers (as assumed in Chapter 3.1) but rather to the service provider's ratio—and thereby weigh inputs and outcomes differently when they come from either individuals (i.e., themselves) or firms. A service firm may be seen as a large, financially strong entity. Thus German customers may apply a different standard when measuring a firm's inputs and outcomes. Hence, their threshold for feeling overbenefited may be higher than expected. It is also possible, however, that German consumers primarily regard their fellow consumers as referent others and enjoy to be treated in a superior manner. Clearly, further research is needed to clarify this aspect.

In particular, female German consumers would deserve an additional investigation since they make up the majority of the inconsistent consumer segment, which is characterized by a low level of equity preference and strong unfairness perceptions of differential treatment, but a highly positive reaction when preferred. In the equity literature, it has been reported that women tend to display a preference for equal than equitable distribution rules (e.g., Austin & McGinn, 1977)—it remains open, however, why female German consumers also display the strongest *egocentric bias* in their fairness judgments (Messick & Sentis, 1979, 1985). In general, the term *egocentric bias* refers to the fact that individuals' fairness judgments are often "influenced by a bias in direction of overpayment to self" (Messick & Sentis, 1979, p. 418). In this literature stream, inconsistencies and trade-offs in fairness evaluations are described as frequent (e.g., Ordónez & Mellers, 1993). In line with these findings, one of the interviewees in the qualitative pre-study (see Appendix E) has noted that "in one's heart, nobody is fully democratic … everybody likes the idea of equal treatment as long as he or she is not personally involved." From this perspective, one could even argue that not (female) German consumers but rather US consumers display uncommon answers. Because (female) German consumers consider differential treatment unfair, they are in a conflict between what is pleasurable and what they believe to be fair and right when preferred themselves. Future experimental research in the tradition of research on advantaged and overpaid individuals (e.g., Peters, van den Bos, & Karremans, 2008) may be a promising approach to shed light on this topic.

Finally, I find in both countries that consumers' reactions to non-preferred treatment are considerably more extreme than consumers' reactions to preferred treatment. This observation may be also explained by the aforementioned principle of loss aversion. That is, a potential loss (non-preferred treatment) has a greater effect than a potential gain (preferred treatment) because, in general, losses outweigh gains (Kahneman & Tversky, 1984). This finding also ties in with previous research on loyalty programs, which has shown that "the negative impact of customer demotion is stronger than the positive impact of status increases" (Wagner, Hennig-Thurau, & Rudolph, 2009, p. 69). Moreover, Wangenheim and Bayón (2007) have shown in the airline context that negative events (e.g., downgrading) have strong negative effects on passengers' usage and revenues, whereas positive events (e.g., upgrading) entail only weak positive effects. From the perspective of learning theory (see Chapter 2.2), this finding also suggests that reinforcement (i.e., preferred treatment) results in mildly positive reactions, whereas punishment (i.e., non-preferred treatment) may be detrimental for both consumers and service providers.

In sum, Study 1 reveals *that* and *how* US and German consumers differ when it comes to differential customer treatment. However, Study 1 does not explain *why* they differ. Although consumers' equity preference turns out to be a good predictor of their fairness perceptions, it cannot explain country differences. As mentioned in the introduction, the belief of whether or not individuals are responsible for their economic success may be a decisive underlying variable. To extend findings from Study 1, Study 2 was set up.

3.4 Study 2: Why US and German Consumers Differ

In Study 1, both German and US consumers opted for a balance between equity and equality in economic exchanges. Although this level of equity preference predicts consumers' fairness perceptions to a substantial degree, further important predictors might have been overlooked.

So far, the present work has concentrated on consumers' distributive justice preferences—but not on their *rationale* for endorsing a certain justice principle. In the earlier chapter on country differences (Chapter 3.2), I have mentioned that an unequal distribution of outcomes is usually justified with reference to equality of opportunity. Kluegel and Smith (1986, p. 5) point out that an unequal allocation of rewards is often supported by the argument that "opportunity for economic advancement based on hard work is plentiful." Thus to understand why country differences emerge, it may be important to know how consumers *attribute* the outcome distribution involved in differential customer treatment (e.g., Weiner, 2000).

In general, attribution theories are concerned with how individuals explain causes of events, outcomes, and behavior. The main distinction into *internal* versus *external* explanations (Heider, 1944, 1958) has emerged from social psychology, whereas the connatural concept of individuals' *locus of control* beliefs has been developed in (clinical and) personality psychology (Rotter, 1966). In consumer and service research, the locus of control concept has also been incorporated (Bradley & Sparks, 2002; Oliver, 1996c; Weiner, 2000). In general, research on individuals' attributions and locus of control is widely spread because the "concern with explanation—why a particular event, or state, or outcome has come about" has been described as "universal" (Weiner, 2000, p. 382).

In the context of differential customer treatment, people may either think that consumers can become 'first class' customers if they work hard enough to be successful in life, or they may consider consumers powerless individuals who are not accountable for their financial success, which is, as previously mentioned, often related to priority treatment. That is, the construct of *economic locus of control* (Furnham, 1986; Rotter, 1966) may be a crucial explanatory variable. Thus I expect consumers who believe that economic success is contingent upon effort to consider differential treatment more fair than consumers who believe that economic success is due to fate, luck, chance, powerful others, or complex, external circumstances. In the former case, differential customer treatment can be regarded as merited, whereas in the latter case, differential customer treatment comes unmerited.

> Hypothesis 6 (H6): The more strongly consumers believe in internal causes for economic success, the less unfair they perceive differential customer treatment.

As mentioned earlier, US Americans are often characterized by a strong belief in equality of opportunity (Lipset, 1996). The belief that people get what they deserve has been described as pervasive (Bénabou & Tirole, 2006).[28] In Germany, however, this belief is much less prevalent than in the United States. Alesina et al. (2001, p. 188/189) state that "in the United States, the poor are perceived as lazy. In contrast, Europeans overwhelmingly believe that the poor are poor because they have been unfortunate." In line with these authors, I expect that:

> Hypothesis 7 (H7): US consumers will display a stronger belief in internal economic locus of control than German consumers.

In addition to the hypothesized direct effect of economic locus of control on the perceived fairness of differential customer treatment (H6), an indirect effect via equity preference is likely. This effect is assumed because unequal distributions of resources are often justified by the argument that some have made more efforts than others, as previously mentioned (Kluegel & Smith, 1986). I expect, however, that economic locus of control is differently related to equity preference in the United States and Germany. That is, the same mean level of US consumers' and German consumers' equity preference may have come about differently.

In Germany, it is probable that consumers favor a balance between equity and equality due to their belief that economic success is not (solely) dependent on effort or willpower. This idea follows Hegtvedt (1992), who has pointed out that a strong (vs. weak) belief in positive consequences of hard work and individual effort is related to a preference for the equity (vs. equality) principle (see also Greenberg, 1979). In the United States, however, a different pattern is likely. Contrary to Hypothesis 3, I did not find a pronounced preference for equity in Study 1. Therefore, it is implausible that US consumers' equity preference is accounted for by

[28] The historically grounded spirit that disciplined work and innovative ideas lead to economic success is known as the *protestant work ethic* (Weber, 1905). Recently, it has been called *the puritan gift* (Hopper & Hopper, 2009). The emphasis on individual initiative is also implied in the current *giving pledge* (2010).

their supposedly strong internal economic locus of control beliefs. US consumers may have grown up with the credo that success is dependent on effort and that people are captains of their own ship—but everyday life may provide incongruous experiences (Bénabou & Tirole, 2006). That is, if hard work and effort do *not* lead to a better life, people may struggle to uphold and pass on the idea that life is fair. As previously discussed, it is possible that the (motivated) belief in meritocracy and equality of opportunity remains as an ideal—Bénabou and Tirole (2006, p. 734) speak of a "self-sustaining collective illusion" that leads to a generally optimistic and motivated attitude to life—but that a more pragmatic, balanced attitude toward distributive justice may be formed for everyday business life.

In short, I assume that German consumers favor a balance between equity and equality in economic exchanges *due to* their economic locus of control beliefs, whereas US consumers favor such a balance *despite* their economic locus of control beliefs. Expressed as mediation hypotheses, I suppose that:

> Hypothesis 8 (H8): The effect of economic locus of control on the perceived fairness of differential customer treatment is partially mediated by equity preference in Germany (H8a), but not in the United States (H8b).

Figure 10 illustrates the hypotheses developed above. In addition to the test of the hypotheses presented, Study 2 aims to corroborate results from Study 1. More specifically, the equity preference scale will be further developed, and H1, H3, and H4 will be re-examined.

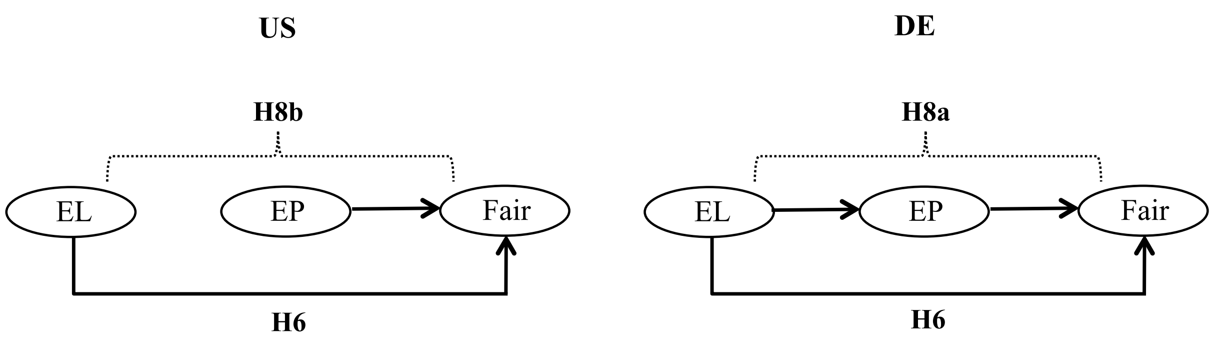

Figure 10. Study 2: Illustration of Hypotheses
US = United States; DE = Germany; EL = economic locus of control; EP = equity preference; Fair = perceived fairness of differential customer treatment.

3.4.1 Method

Participants. Although the order of the four industry vignettes used in Study 1 had only negligible impact on respondents' fairness evaluations (see Chapter 3.3.1), Study 2 aims to confirm and to extend the results of Study 1 using a pre-experimental, between-subjects design (Campbell & Stanley, 1963). That is, each participant received only one industry vignette. Poulton (1973), for example, has recommended such an additional use of between-subjects designs as the best way to control for unwanted context effects in within-subjects designs.

The sample size of Study 2 was based on power analysis with G*Power (Erdfelder, Faul, & Buchner, 1996) that yielded a cell size of $n = 68$. According to G*Power, this cell size secures an α-level of .05 and test power of .80 (Bortz & Döring, 2006) if a medium effect size of f^2=.15 (Cohen, 1988) is assumed in linear regression.[29] Traditional linear regression was chosen as the major analytical technique because SEM (with ML or MLR estimators) would have required considerably larger cell sizes (Kline, 2005).

Like in Study 1, the survey link was sent to online samples ($N = 320$ in each country) that were provided by a market research institute. Due to multivariate outlier analyses (Tabachnick & Fidell, 2000) and the exclusion of 'speeders' who completed the survey extremely fast (under 3.5 minutes), the final sample size was $N = 303$ in the United States and $N = 294$ in Germany.[30] On average, respondents needed 12 minutes to complete the study. For their participation, they received approximately USD 2.20 (1.50 EUR) from the market research institute. Because the number of multivariate outliers varied among cells, final cell sizes differed somewhat in size: $n = 67$ (US, telecommunications), $n = 81$ (US, bank), $n = 79$ (US, airline), $n = 76$ (US, medical services), $n = 63$ (DE, telecommunications), $n = 79$ (DE, bank), $n = 73$ (DE, airline), and $n = 79$ (DE, medical services). Again, samples were stratified by gender (overall, 51% women in the US sample and 48% women in the German sample), age (range from 18–65 years in both samples), and education (overall, 87% with high-school diploma in the US sample and 42% with university-entrance diploma in German sample). A more detailed sample composition of each cell is presented in Table 10. Information on further socio-demographic characteristics is presented in Appendix C.

[29] Cohen's power primer (1992) recommends a nearly identical cell size of $n = 67$.
[30] See Chapter 3.3.1 (Study 1) for the explanation of outlier analyses and the choice of the online format. Like in Study 1, questions on income, political attitudes, and occupation were not mandatory. Thus missing data were only present in terms of these items.

Table 10 *Study 2: Sample Characteristics*

		Overall[a]	Telco	Bank	Airline	Medical
US	*N*	303	67	81	79	76
	% women	51	40	49	49	62
	M $(SD)_{age}$ in years	43.1 (12.8)	42.4 (12.2)	45.5 (11.7)	44.8 (14.4)	41.2 (12.3)
	Range $_{age}$ in years	18–65	18–65	21–65	18–65	18–64
	% High School	87	82	91	86	90
DE	*N*	294	63	79	73	79
	% women	48	55	43	44	52
	M $(SD)_{age}$ in years	42.0 (13.7)	41.0 (14.6)	44.2 (12.1)	39.3 (13.6)	42.9 (14.4)
	Range $_{age}$ in years	18–65	18–65	20–65	18–65	18–65
	% Abitur[b]	42	50	40	41	39

Note. US = United States; DE = Germany; Telco = telecommunications; Medical = medical services; *M* = mean; *SD* = standard deviation.
[a] Further sample characteristics can be found in Appendix C.
[b] University-entrance diploma.

Materials and Procedure. The questionnaire comprised three parts. At first—following an introduction and screening questions on gender, age, and education—respondents were randomly assigned to one of the four company vignettes that have been used in Study 1 already (see Appendix D). Following this company vignette, respondents were asked how fair they perceive the described differential treatment strategies. Like in Study 1, fairness was assessed by three bipolar, 5-point scale items (1 = *fair* and 5 = *unfair*); the first item referred to preferential treatment of highly profitable customers, the second item referred to non-preferred treatment of 'average' customers, and the third item referred to customer divestment (see Appendix D). Internal consistency analyses (range of Cronbach's α was .64–.89) and exploratory factor analyses (range of explained variance was 60%–83%) showed that the three fairness items could be aggregated into a fairness scale in all cells except for the US Airline sample (*n* = 79). In this subsample, the item on customer divestment was not in line with the remaining two items, which might be due to characteristics of the airline vignette and the airline industry. In contrast to telecommunications, banking, or medical services where service providers may refuse to serve unprofitable customers, customer divestment in the airline vignette was operationalized as the decision of an airline to offer business class-only flights (like an all-business airline) on certain routes. Although this item worked well in Study 1, it was problematic in the (smaller) US sample of Study 2. It is possible that respondents did not consider business class-only flights as a divestment of non-business class passengers, but just as an out-of-reach, luxury offer for well-paying passengers. Due to the problems with this item, the fairness scale used in the following regressions consisted of only two items in the US airline subsample.

In the second part of the questionnaire, respondents answered items on their equity preference as well as on their internal economic locus of control beliefs. To improve the psychometric properties of the equity preference scale, two new items were included in Study 2. The final scale comprised three items (see Appendix D) and showed satisfactory psychometric properties (e.g., Cronbach's α = .79 in both the German and the US full sample; in the subsamples, Cronbach's α ranged from .67 to .87). Economic locus of control was assessed by four items drawn from Furnham (1986) and Mirels and Garrett (1971),[31] for example "whether or not I get to become wealthy depends mostly on my ability" (answers were given on a 5-point scale from 1 = *agree not at all* to 5 = *agree very much*). Psychometric properties were satisfactory (e.g., Cronbach's α = .85 in the German full sample and Cronbach's α = .81 in the US full sample; in the subsamples, Cronbach's α ranged from .75 to .86).

The third part of the questionnaire finally consisted of socio-demographic questions (see Appendix C and D). In addition, two further single questions were included for exploratory reasons. One question pertained to the kind of needs (basic/existential or luxury) addressed by the industry that has been presented in the vignette. The other question pertained to how much one feels affected by the (at that time current) economic/financial crisis 2008–2010.

Choice of Analysis. Because traditional SEM techniques using ML or MLR estimators would have required considerably larger cell sizes (Kline, 2005), traditional linear regression analysis has been chosen as the main analytical technique. Overall, the tests of the assumptions of the regression model (i.e., homoscedasticity, absence of multicollinearity, and normal distribution of residuals) yielded satisfactory results (see Appendix J).

Like in Study 1, mediation was tested via the Preacher and Hayes bootstrap tests (2004, 2008). Moreover, further analyses were performed to corroborate these findings by using different methods. In cases where sample size is too small for traditional SEM, two kinds of analyses still permit to test models as a whole—partial least squares (PLS) on the one hand and Bayesian SEM on the other hand. Because both PLS and Bayesian SEM involve some downsides, both analyses have been conducted as auxiliary only. In the following, both approaches are introduced briefly.

[31] The scale of Mirels and Garrett (1971) captures *protestant work ethic*—a construct that is highly overlapping with internal *economic locus of control* as both Furnham (1986) and Mirels and Garrett (1971) report (also see Chapter 3.4). Appendix D presents the items used in this study.

PLS. PLS has been developed by Wold (1974) and can be characterized as a combination of principal component analysis and multiple regression. PLS is a pragmatic analysis, particularly in situations where sample size is small or multicollinearity present. Moreover, PLS can also be applied if data are non-normal or non-metric (Fornell & Bookstein, 1982). Apart from these practical advantages, however, PLS has been criticized as lacking a sound foundation in statistical and psychometric theory (Fornell & Bookstein, 1982). McDonald (1996, p. 240) for example, states that “the PLS methods are difficult to describe and extremely difficult to evaluate.” One major disadvantage of PLS is its inability to account for measurement error: Because PLS is based on principal component analysis and not on factor analysis, unobservable variables are estimated as exact linear combinations of their empirical indicators. Furthermore, construct loadings are difficult to interpret and significance can only be assessed by re-sampling procedures. Due to these difficulties, PLS (using SmartPLS; Ringle, Wende, & Will, 2005) has been applied only as an additional, auxiliary analysis.

Bayesian SEM. The possibility to use Bayesian estimation in SEM opens up a different form of statistical inference. So far, the present work has implicitly acted on the assumption of classical frequentist statistical inference—whose fallacies have often been criticized (e.g., Cohen, 1994; Gigerenzer, Krauss, & Vitouch, 2004). The Bayesian approach implies a different interpretation of probability theory (Greenberg, 2008). This understanding of probability has been called *subjective*—unlike the frequentist framework that restricts the assignment of probabilities to outcomes of experiments that can be repeated, the view of probabilities as subjective allows assigning probabilities also to outcomes that do *not* refer to repeated experiments (Malakoff, 1999). Thus the Bayesian approach does not require repeated sampling or large sample sizes. The core of this approach is the formation of *posterior* beliefs about a random variable on the basis of *prior* subjective beliefs that are updated by *observed* data. Unlike the frequentist SEM approach of analyzing the empirical covariance matrix, raw observations are analyzed in the Bayesian approach (Lee, 2007). The Bayesian inference focuses on properties of the posterior distribution (Greenberg, 2008). As indicated, Bayesian analysis enables integrating prior knowledge. (Yet, if no reliable prior knowledge is available, it is better to use no prior than a possibly misleading one.) Because results in small samples rely too heavily on the prior (Lee & Song, 2004), no prior information from Study 1 was included in the present analysis. In the present study (Study 2), the sample size of each cell is equal to two or nearly three times the number of unknown parameters. This condition is considered the necessary minimum to allow reliable estimations (Lee & Song, 2004). However, Lee and

Song (2004) caution about small samples *and* non-normal data. Because data are not perfectly normal in Study 2, findings will be interpreted with caution. The analysis was conducted using MPlus 6 (see Muthén, 2010).

Measurement Properties and Common Method Bias. Overall, the measurement properties (beyond the Cronbach's α values presented above) of the assessed constructs were satisfactory (see Appendix J for details). To control for common method bias (Podsakoff et al., 2003), *Harman's single-factor test* was performed in each subsample using an EFA approach. Depending on the subsample, the number of extracted factors varies between 9 and 11, and the total variance explained by the first factor varies between 17% and 24%. That is, results indicate that common method bias is no cause for concern.

3.4.2 Results

The results section focuses on replication first. Subsequently, the hypotheses developed earlier (H6–H8) are tested (*main findings*). Thereafter, several additional, exploratory analyses are presented (*additional findings*).

Main Findings. First of all, Study 2 replicates results of Study 1. Again, equity preference predicts consumers' unfairness perceptions of differential customer treatment across countries and industries (H1; standardized β ranging from -.29, $t(77) = -2.62$, $p = .01$ in the DE medical services sample to -.71, $t(79) = -.8.87$, $p < .001$ in the US bank sample; R^2 ranging from .08 to .50, respectively; see Appendix J for further details). Overall, US and German respondents do not differ in their mean level of equity preference. Again, they favor a balance between equity and equality (H3; $M_{US} = 2.86$, $SD_{US} = 1.03$; $M_{DE} = 2.98$, $SD_{DE} = 1.02$; the maximum value of this scale is 5.00; $F(1, 595) = 2.14$, $p = .14$;[32] on subsample level, however, one mean difference—in terms of medical services—reaches significance with German consumers displaying a higher level of equity preference).

In terms of country differences in consumers' perceived fairness of differential customer treatment (H4), Figure 11 shows that the mean pattern of Study 2 corresponds to the mean

[32] Overall, no difference in the mean level of equity preference is found on latent level as well (if the mean in the German sample is fixed to zero, the US mean is -.13, $p = 15$). On subsample level, the sample sizes are too small for latent means analysis (see Chapter 3.4.1).

pattern of Study 1 (see Appendix J for the descriptive statistics). Again, US respondents consider differential treatment less unfair than German respondents in the context of telecommunications, $F(1, 128) = 7.28$, $p = .01$, banking, $F(1, 158) = 30.20$, $p < .001$, and air travel, $F(1, 150) = 9.74$, $p = .002$, but not in the context of medical services, $F(1, 153) = 1.87$, $p = .17$. In addition, it is found repeatedly on item level that German consumers perceive customer divestment as most unfair, whereas US consumers rather consider non-preferred treatment of 'average' customers most unfair (see Figure 12).

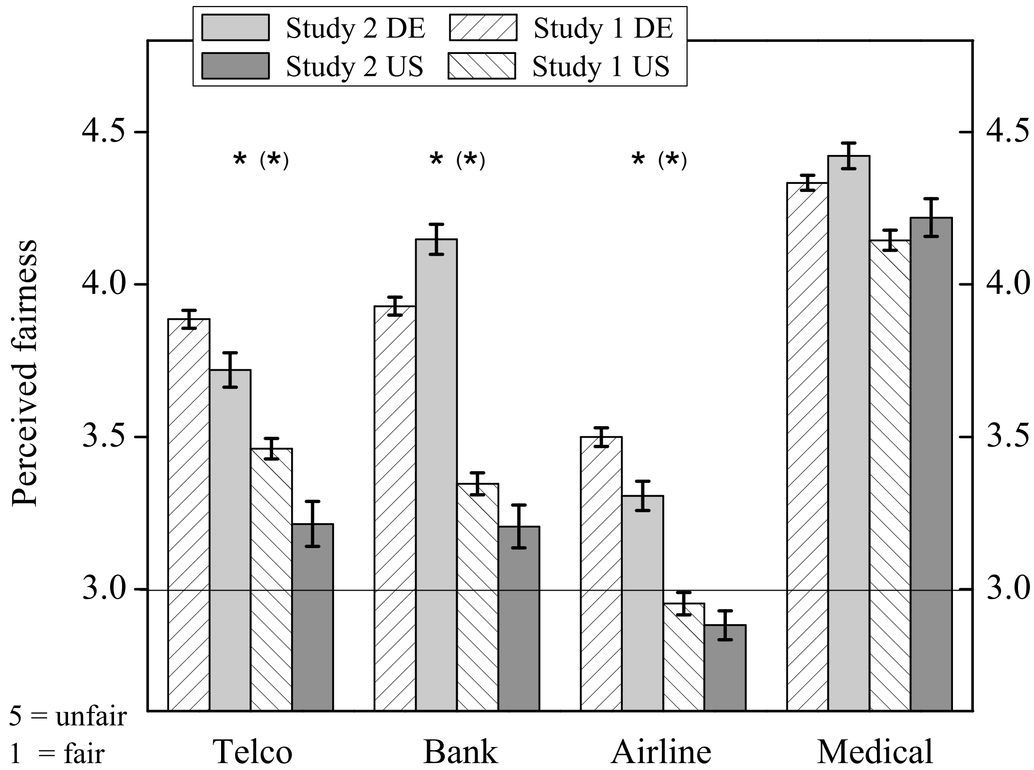

Figure 11. Study 2 Replicates Study 1: Perceived Fairness of Differential Customer Treatment in the United States and Germany

DE = Germany; US = United States; Telco = telecommunications; Medical = medical services; error bars represent standard errors of the mean; 3 = neutral scale mean; *$p < .05$ refer to country differences in observed means that were found *concordantly* in both studies; (*)$p < .05$ refer to country differences in latent means analysis that was only feasible with Study 1 data. For reasons of better comparability of Study 1 and Study 2, the Study 2 fairness mean of the US airline sample represents all three fairness items although they do not form a scale as mentioned in the text. Differences between fairness perceptions of Study 1 and Study 2 *within* each industry in the United States and Germany do not reach significance in independent-samples t tests ($p > .05$; largest differences: $t_{BankDE}(348) = -1.91$, $p = .06$; $t_{TelcoUS}(325) = 1.63$, $p = .11$).

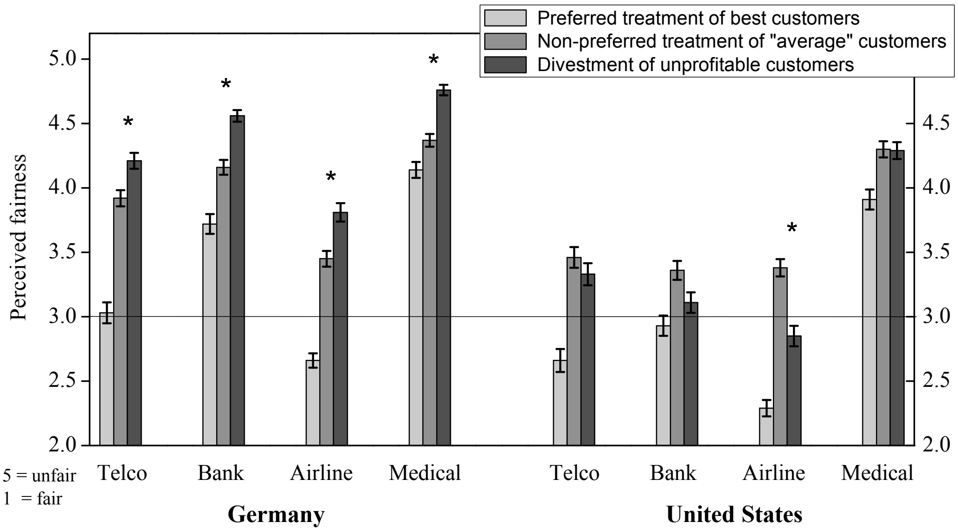

Figure 12. Study 2: Fairness Findings on Item Level
Telco = telecommunications; Medical = medical services; error bars represent standard errors of the mean; *$p < .05$ refer to differences between the item on the perceived fairness of non-preferred treatment of 'average' customers and the item on the perceived fairness of customer divestment; 3 = neutral scale mean.

Following the replication of previous results, the main hypotheses of Study 2 (H6–H8) were tested. As expected, mean comparisons show that US respondents are characterized by significantly stronger internal economic locus of control beliefs than German respondents both overall and on subsample level (H7, Overall: $M_{US} = 3.88$, $SD_{US} = .78$; $M_{DE} = 3.26$, $SD_{DE} = .93$; $F(1, 595) = 78.67$, $p < .001$).[33] Yet, economic locus of control only predicts fairness perceptions of differential customer treatment in two German subsamples (telecommunications: $\beta = -.25$, $t(61) = -2.05$, $p = .04$, $R^2 = .06$; banking: $\beta = -.43$, $t(77) = -4.15$, $p < .001$, $R^2 = .18$), no direct effects are found in other groups (H6; see Appendix J for further details). Moreover, the direct effect in the German telecommunications subsample disappears when equity preference is introduced as a mediator (see Figure 13).

Overall, mediator tests (Preacher & Hayes, 2004, 2008; Zhao et al., 2010) demonstrate that economic locus of control has neither a direct nor an indirect effect on the fairness perceptions of differential customer treatment in the US sample. In the German sample, patterns

[33] Overall, the mean difference is also significant on latent level. If the mean in the German sample is fixed to zero, the mean in the US sample is 1.01 ($p = .001$). On subsample level, the sample sizes are too small for latent means analysis (see Chapter 3.4.1).

vary by industry. Indirect-only mediation is found in the context of telecommunications and medical services (in both cases, the bootstrap test of Preacher & Hayes leads to 95% confidence intervals that do not include zero), whereas a direct (but no indirect) effect of economic locus of control is found in the context of banking. In terms of air travel, neither a direct nor an indirect effect can be revealed. Figure 13 illustrates these relationships (see Table 11 for the detailed Preacher & Hayes findings).

As mentioned earlier, two further, different methods have been applied to corroborate the results—PLS and Bayesian SEM. The findings of both approaches are in accordance with the pattern of the analyses presented in Figure 13 (for the exact findings of the PLS analysis and the Bayesian SEM, see Appendix K).

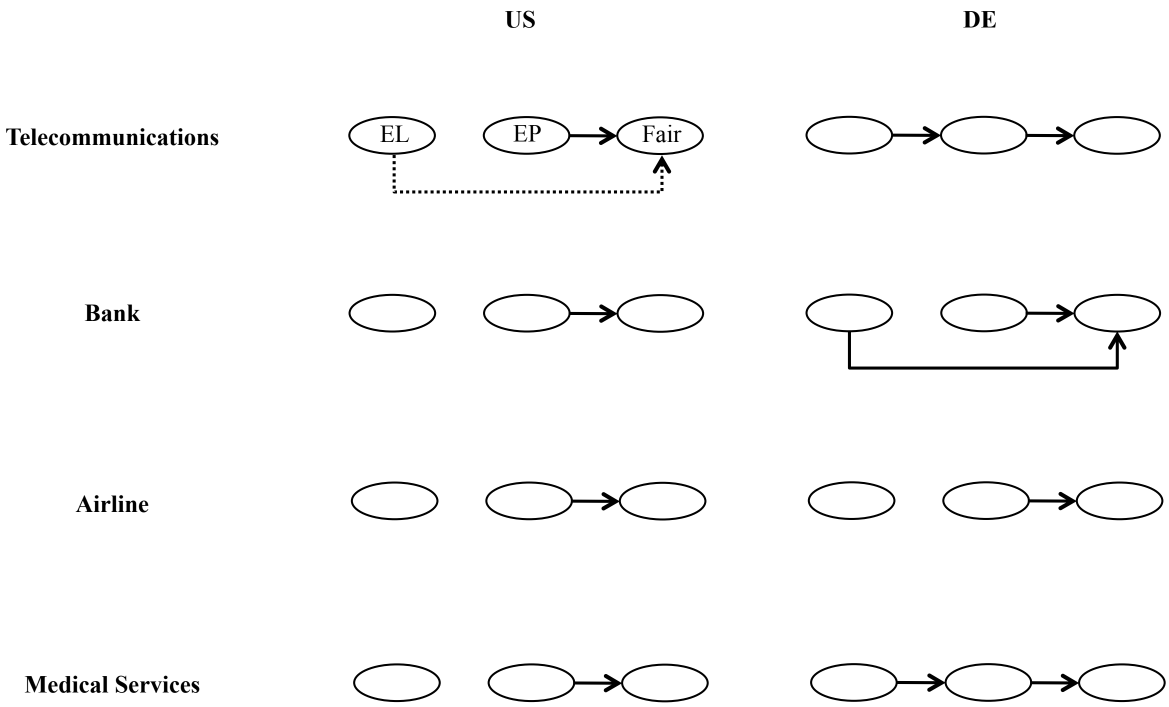

Figure 13. Study 2: Simplified Illustration of Regression, PLS, and Bayesian SEM Findings
US = United States; DE = Germany; EL = economic locus of control; EP = equity preference; Fair = perceived fairness of differential customer treatment; the abbreviations (EL, EP, and Fair) apply to all models depicted. Only significant paths ($p < .05$; $t > |1.96|$) are displayed. The results of the Bayesian SEM approach diverge from the results of the other approaches in terms of one single significant path (illustrated by the dashed line in the US telecommunications model). For more details and fit indexes, see Appendix K.

Table 11 *Study 2: Mediation Analyses*

		Relationship	Preacher & Hayes (2004, 2008): 95% confidence intervals	Form of mediation (MD)
US	Telco	EL → EP → fairness	(-.119; .238)	No MD
	Bank	EL → EP → fairness	(-.360; .181)	No MD
	Airline	EL → EP → fairness	(-.242; .012)	No MD
	Medical	EL → EP → fairness	(-.310; .039)	No MD
DE	Telco	EL → EP → fairness	(-.328; -.034)*	Indirect-only MD
	Bank	EL → EP → fairness	(-.159; .026)	Direct-only nonMD
	Airline	EL → EP → fairness	(-.215; .060)	No MD
	Medical	EL → EP → fairness	(-.193; -.014)*	Indirect-only MD

Note. US = United States; DE = Germany; Telco = telecommunications; Medical = medical services; EL = economic locus of control; EP = equity preference; MD = mediation; nomenclature of mediation follows Zhao et al. (2010); number of bootstrap resamples in the Preacher and Hayes analyses was 5000.
*Preacher and Hayes: The indirect effect is significant if the confidence interval does not include zero.

Additional Findings. Like in Study 1, additional exploratory analyses have been conducted to comprehend the data beyond the hypothesized associations. Apart from the already presented findings on item level (see Figure 12), these additional analyses comprise four themes: Firstly, the impact of the financial and economic crisis that was prevailing during the data collection in 2010; secondly, the explanation of industry differences; thirdly, gender differences in consumers' fairness perceptions (as found in Study 1); and fourthly, a closer look at correlates of the equity preference scale.

It has been argued in the press that the financial crisis 2008–2010 has led to an even stronger differential customer treatment, especially in the context of financial services (Doering, 2009). Because consumers may have been considering the crisis when participating in the present studies, Study 2 has included a single question on how strongly consumers feel affected by the crisis (1 = *not at all affected*, 5 = *affected very strongly*; see Appendix D). Overall, US consumers feel considerably more affected than German consumers (M_{US} = 3.76, SD_{US} = 1.04; M_{DE} = 3.10, SD_{DE} = 1.11), $F(1, 591) = 56.19$, $p < .001$. Consumers' unfairness perceptions of differential treatment, however, are largely independent from their personal assessment of the financial crisis. Correlations in Germany are mildly positive, but not significant (correlations range from $r = .16$, $p = .22$ in the telecommunications context to $r = .19$, $p = .10$ in the medical context). In the United States, one correlation reaches significance, indicating that the more strongly consumers feel affected by the crisis, the more unfair they perceive differential treatment in banking (r = .27, p = .02). That is, apart from the US banking context where consumers appear to be particularly critical, fairness findings are not substantially influenced by the macroeconomic trends topical at the time of the assessment.

The second additional analysis pertains to industry differences in the perceived fairness of differential customer treatment. In both Study 1 and Study 2, consumers regard differential treatment as most acceptable in the airline context and as least acceptable in the medical services context (see Figure 11).[34] As pointed out in the discussion of Study 1, fairness differences in different industry contexts may be due to the importance of the underlying needs addressed by the respective industry. Study 2 included a single question on this aspect, asking consumers to rate the respective industry as either satisfying a basic/existential need or a luxury need (1 = *fulfils existential needs*, 5 = *fulfills luxury needs*; see Appendix D).[35] In line with the thought above, US consumers' fairness perceptions of differential treatment are negatively associated with their ratings of existentiality, but only two associations reach significance ($r_{Medical}$ = -.26, p = .02; r_{Bank} = -.28, p = .01). Thus, by trend, the more existential an industry sector is considered, the less accepted is differential customer treatment in the United States. Surprisingly, no notable associations are revealed in the German sample (with $r_{Airline}$ = -.11, p = .37 being the strongest correlation). However, by trend, consumers' economic locus of control beliefs seem to act as a moderating variable in both the United States and in Germany. Consumers with strong internal economic locus of control beliefs display stronger associations between the perceived fairness of differential customer treatment and the luxuriousness

[34] Study 1 (also see Figures 7 and 11 and Appendix J): In the German sample, one-sample t tests show that differential customer treatment is perceived as similarly unfair in banking and telecommunications ($t_{Bank\_Telco}(270)$ = .73, p = .47), as most unfair in medical services ($t_{Bank\_Medical}(270)$ = -6.83, p <.001), and as least unfair in the airline context ($t_{Telco\_Airline}(270)$ = 6.52, p < .001; remaining comparisons logically follow from the ones presented). The same industry differences are also found in the US sample ($t_{Bank\_Telco}(259)$ = -1.60, p = .11; $t_{Telco\_Medical}(259)$ = -10.15, p < .001; $t_{Bank\_Airline}(259)$ = 5.45, p > .001; remaining comparisons logically follow from the ones presented).
Study 2 (also see Figure 11 and Appendix J): In the German sample, independent-samples t tests show, again, that differential treatment is considered least unfair in the airline context ($t_{Telco\_Airline}(134)$ = 2.80, p = .01) and most unfair in the context of medical services ($t_{Bank\_Medical}(156)$ = -2.12, p = .04). In Study 2, however, differential customer treatment is perceived as more unfair in banking than in telecommunications in the German sample ($t_{Bank\_Telco}(140)$ = 2.87, p = .01; remaining comparisons logically follow from the ones presented). In the US sample, the perceived fairness does not differ in the context of banking and telecommunications ($t_{Bank\_Telco}(146)$ = -.04, p = .97). Differential treatment is regarded as most unfair in medical services ($t_{Telco\_Medical}(141)$ = -5.27, p <.001) and as least unfair at airlines ($t_{Telco\_Airline}(144)$ = 1.94, p = .05; remaining comparisons logically follow from the ones presented).

[35] The order of mean ratings (of existentiality versus luxury) found in Study 2 corresponds to the order of mean ratings found in the student sample presented in Chapter 3.3.4—with airline being rated as addressing relatively luxurious needs (M_{US} = 3.01, SD_{US} = 1.08; M_{DE} = *3.51*; SD_{DE} = .96) and medical services as addressing rather existential needs (M_{US} = 1.96, SD_{US} = 1.10; M_{DE} = 2.52; SD_{DE} = 1.26).

of a given industry than consumers with a low internal locus of control. Table 12 demonstrates this trend.

Table 12 *Study 2: The More Luxurious an Industry, the More Fair Is Differential Customer Treatment?*

	Telco	Bank	Airline	Medical
US, *high* internal economic locus of control	.03	.51**	.40*	.33*
US, *low* internal economic locus of control	.26	.03	.23	.19
DE *high* internal economic locus of control	.07	.24	.28	.04
DE *low* internal economic locus of control	.08	.17	.10	.02

Note. Table displays Pearson correlations; *high* and *low* economic locus of control refer to a median split; US = United States; DE = Germany; Telco = telecommunications; Medical = medical services.
** $p < .01$, *$p < .05$.

The third exploratory analysis aimed to examine possible gender differences, as revealed in Study 1. Because, when divided into further subgroups, subsample sizes get quite small in Study 2, results are only analyzed descriptively. Interestingly, compared to Study 1, a highly similar mean pattern emerges in Study 2 when it comes to the perceived fairness of differential customer treatment: German women are more critical than German men (with the exception of the airline context). German men are more critical than US women (with the exception of the medical context), and US women are more critical than US men (Appendix I displays the mean pattern).

Fourthly and finally, the correlates of the equity preference scale were analyzed to support the conceptualization of this construct. The data of Study 2 were chosen because the scale has displayed slightly better psychometric properties in Study 2 than in Study 1 (see Chapters 3.3.1 and 3.4.1). Following the idea of convergent validity (e.g., Asendorpf, 1999), equity preference should correlate with variables that capture something similar. According to Hegtvedt (1992) and Brickman et al. (1981), a preference for proportional, equitable outcome allocations should be related to conservative political views and male gender. Following Fong (2001), a strong preference for the equity principle should be associated with high income and high education as well.[36] Table 13 shows how equity preference is related to socio-demographic characteristics in Study 2. As expected, a high level of equity preference is asso-

[36] The cluster analysis findings of Study 1 (see Table 9) also correspond to these assumptions.

ciated with middle/high income, a high educational level, and conservative political views. The relationship with gender, however, is less clear.

Table 13 *Study 2: Correlates of Equity Preference*

	United States	Germany
Gender	Women with lower level of equity preference.	No differences[a]
Age	No differences	No differences
Income[b]	Low-income group with lower level of equity preference than middle/high-income groups.	Low-income group with lower level of equity preference than middle/high-income groups.
Education: Level	Higher level of equity preference in the group with high school diploma or more.	Higher level of equity preference in the group with Abitur[c] or higher level of education.
Education: Business/economics	Higher level of equity preference in the group whose education involved business administration/economics.	No differences
Political views[d]	By trend, conservative/liberal voters display a higher level of equity preference than social democratic/green voters ($p = .06$).	Conservative/liberal voters display a higher level of equity preference than social democratic/green voters.
Household size & number of children	No differences	No differences

Note. 'No differences' refers to $p > .05$; if differences are described and not explained further, they refer to $p < .05$; exact statistics can be found in Appendix J.
[a] In Study 1, however, female German consumers' equity preference was significantly lower, as reported in Chapter 3.3.2.
[b] Question was not mandatory. Overall, 12% of answers are missing; low income refers to a gross monthly household income < 2500 EUR; middle income: 2501–6000 EUR; high income: > 6001 EUR.
[c] University-entrance diploma.
[d] Question was not mandatory. Overall, 30% of answers are missing; conservative/liberal refers to CDU and FDP adherents in Germany and to supporters of the Republican, the Constitution, and the Libertarian Party in the US. Social democratic/green refers to SPD, Bündnis 90 Die Grünen, and Die Linke supporters in Germany and to Democrats and Greens in the US.

3.4.3 Summary

Taken together, Study 2 confirms country differences in the perceived fairness of differential customer treatment and underscores the importance of equity preference in *predicting* fairness evaluations—but not in *explaining* country differences. Moreover, Study 2 shows that German consumers' economic locus of control beliefs affect their fairness perceptions of differential treatment either directly or indirectly (via equity preference) in most industries. Yet, US consumers' strong belief in internal economic locus of control has neither an effect on their equity preference nor an effect on their fairness perceptions of differential treatment.

Additional analyses reveal—in accord with Study 1—that female German consumers consider differential customer treatment most unfair and that, overall, differential treatment is relatively accepted in the airline context but regarded as highly unjust in the medical services context. Furthermore, Study 2 shows that a preference for the principle of equity to the principle of equality is associated with a relatively high income, a high educational level, and conservative political views. Finally, the fairness findings of Study 2 are shown to be largely independent of the recent economic crisis, a topical issue during the time of the assessment.

3.4.4 Discussion

All in all, Study 2 provides a remarkable replication of the results found in Study 1. That is, country differences in the perceived fairness of differential customer treatment are in accordance across different samples and different study designs (within-subjects design in Study 1 and between-subjects design in Study 2). Apart from fortifying the findings of Study 1, the main goal of Study 2 has been a better explanation of country differences in consumers' fairness perceptions of differential customer treatment. On the one hand, it has been demonstrated that consumers' economic locus of control beliefs have an (either direct or indirect) effect on fairness perceptions in Germany, but not in the United States. Thus this construct helps to explain country differences. On the other hand, several questions remain open. These are discussed in the following.

Because equity preference and economic locus of control were conceptualized as general personality variables and asked in an industry-free context, it is surprising that both constructs do not show similar relations across groups within Germany. Maybe the respective industry vignette at the beginning of the questionnaire has acted as a prime that 'spilled over' to consumers' further responses. Hence, findings from Germany do not only shed light on the relationship between economic locus of control and equity preference, but also on the respective industries. In the airline context, for example, German consumers' beliefs regarding the link between effort and success have no impact on their fairness evaluations of differential treatment. This might be due to Kimes' conclusion (2002) that consumers are generally quite used to differential treatment in the airline context. They seem to consider primarily the ticket price (i.e., the passenger's input) and not whether this ticket has been paid by the passenger or by the passenger's employer when evaluating differential customer treatment. In banking, consumers' economic locus of control beliefs have a direct effect on their evaluation of differential customer treatment. This may be due to the link between the banking context and the essence of economic locus of control—ultimately, both bear a monetary reference.

Unlike German consumers, US consumers display a homogeneous pattern across industries. Their strong belief in internal economic locus of control is consistently unrelated to their equity preference. This supports the notion that the belief in a causal link between effort and success is culturally instilled in the United States. Affirmative answers to internal locus of control questions may reflect a (culturally learned) *causal schema* (Kelley, 1973) or a *cultural construction* (Markus & Schwartz, 2010). Still, in everyday business life, US consumers' idea of distributive justice reflects a less idealistic, rather pragmatic view (i.e., not equity, but a balance of equity and equality is favored). This pragmatic approach—that does not fit to US consumers' internal locus of control beliefs—may be explained by the experience of everyday life events that are incongruous with the still upheld ideal of meritocracy (Bénabou & Tirole, 2006). A further explanation may be the fact that US Americans traditionally place emphasis on individual charity commitments that enhance redistribution (Lipset, 1996). That is, although the poor are generally seen as responsible for their situation and although governmental welfare is rather disliked (e.g., Gilens, 1999), US Americans strongly endorse individual philanthropic, equality-enhancing commitments (for data, see Center on Philanthropy, 2007). Moreover, the different patterns found in the United States and Germany (see Figure 13) show that equity preference has somewhat different correlates in both countries. In terms of socio-demographic characteristics, however, highly similar associations with equity preference are found in the United States and in Germany (see Table 13). In line with previous research (e.g., Fong, 2001), a preference for the equity principle comes along with a relatively high income, a high educational level, and conservative political views.

In addition, it is remarkable that US consumers' strong belief in the link between effort and success is also unrelated to their fairness perceptions of differential treatment. US consumers seem to evaluate differential treatment primarily based on their understanding of distributive justice (i.e., their equity preference). US consumers with a high equity preference, for example, consider preferential treatment of profitable customers fair because the customers' inputs (i.e., payments) are high. That is, US consumers do not take into consideration if these high payments are due to the customers' own efforts—or if they are due to winning the lottery or accepting a large inheritance, for instance. In sum, German consumers show a tendency to grant customers preferential treatment only if it is based on the customers' own efforts, whereas US consumers appear to grant customers preferential treatment without wondering about the customers' effort or luck. The US attitude seems rather unprepossessed, whereas German consumers try to get to the bottom of differential treatment. Viewed critically however, the German perspective could be also linked with social envy—a much debated topic in Germany (e.g., Poschardt, 2010).

The present (and the previous) study focused on country differences in consumers' perceived fairness of differential customer treatment. Industry differences have been only explored additionally. So far, the explanation of industry differences remains partly inconclusive. In both studies, differential treatment is most accepted in the airline context and least accepted in medical services. These patterns, however, can only be partly explained by the type of needs (basic or luxury) that are fulfilled by the respective industry sectors. Particularly in Germany, the negative attitude toward differential treatment in medical services cannot be explained solely by the fact that health is considered an essential need. In addition, it seems that primarily consumers with internal economic locus of control beliefs link need type and fairness of differential customer treatment, whereas consumers with external control beliefs evaluate differential customer treatment independent of the needs that are addressed in a given service sector (see Table 12). Thus the latter group seems to apply a different reasoning when evaluating differential treatment. As discussed in the context of Study 1, further reasons are supposable, for example the possibility to choose freely among service providers. Kimes (2002) has argued, for instance, that consumers are just more used to differential prices (and treatment) in the airline context. Switching costs may be a further factor. In the airline context, for example, a different provider offering a flight to the same destination is sometimes only 'a click away.' In telecommunications and banking, consumers are often bound by contracts, thus switching costs are higher. In the medical context, switching costs can be regarded as very high because (a close and trustful relationship to) a good physician may not be easily found and attained again. Berry and Bendapudi (2007) mention further aspects that make the relationship between health care service providers and patients special and thus switching costs higher. Similarly, a further study reveals that about two thirds of patients wish a good relationship with their family doctor, whereas only about one third of customers wish a good relationship with their telecommunications provider or their bank (Danaher, Conroy, & McColl-Kennedy, 2008). Hence, differential treatment in medical services may be perceived as a *social* norm violation (see Chapter 4 for details on social norms vs. market norms). It is also possible that consumers do not bear in mind that, overall, physicians (as described in Study 1 and Study 2) also need to make profit. Maybe consumers think of physicians exclusively as helpers and idealists—and dislike that they may think of costs. More general, it is possible that consumers categorize medical services as belonging to the public sector, whereas they classify the other industries examined—telecommunications, financial services, and air transport—as belonging to the private sector, in which profit-seeking is generally taken for granted.

In discussing industry differences that were found concordantly in Study 1 and Study 2, I also have to consider the possibility that some details of the vignettes used (see Appendix D) may have produced some of the differences presented. That is, it is possible that some participants liked or disliked one specific differential treatment measure presented at such a rate that this has 'outshined' further information given. Although the industry vignettes were based on information from various sources (e.g., press, qualitative pre-study, information from consumer protection) and have been pretested and discussed with colleagues (N = 46, see Chapter 3.3.1), some variations of these vignettes should be tested and used in upcoming research (also see *Project II* in which a variation of the telecommunications vignette was used, leading to highly similar findings, as shown in Chapter 4.3.6). Apart from testing further variations, it can be also argued that possible effects of specific differential treatment measures have neutralized each other within the samples.

In sum, Study 2 corroborates central findings of Study 1 using a different study design. Study 2 also reveals the country-specific (non-)impact of consumers' economic locus of control beliefs on their equity preference and their fairness perceptions of differential treatment. In the following, the results of both studies are summarized in terms of their practical and also their theoretical relevance. I also bring up limitations as well as topics for future research.

3.5 Project I: Managerial Implications and Outlook

Project I examined the consumer perspective on differential customer treatment in the United States and Germany. Analyses reveal that US consumers perceive differential treatment as less unfair across industries, with the exception of medical services. In addition, US and German consumers differ in their intended reactions to (non-)preferred treatment and, partly, also in their underlying reasons for evaluating differential treatment as rather fair or unfair.

From a practitioner's perspective, the present research is relevant in several ways. Overall, it has been shown that consumers do not always consider fair what service providers consider equitable and self-evident. Therefore, service firms should not act on their fairness assumptions without examining the consumers' point of view. In particular, service providers are made aware of the fact that "there are no global consumers" (De Mooij, 2004, p. 314)—Germans are more critical of differential treatment than US consumers, with the exception of the medical services context. Especially the divestment of customers may not redound to companies' advantage in Germany. Although German consumers display criticism, service providers (except physicians) should not completely refrain from differential customer treatment neither in Germany nor in the United States. A mild differentiation seems desirable because Germans—like US Americans—value a balance between equity and equality. That is, consumers do not seek complete equality. Especially at airlines, differential customer treatment is rather accepted than despised. Moreover, the group of the 'proponents' (see cluster analysis, Table 9) is larger than the groups that consider differential treatment highly critical. (In this context, practitioners could use typical combinations of socio-demographic characteristics as proxies for deciding if their customers probably approve or disapprove of differential customer treatment.) However, service providers need to take into account that German consumers mostly dislike customer divestment—and that US consumers mostly dislike mediocre treatment of 'average' customers. That is, it seems that Germans generally prefer middle-rate but secure service offers to the possibility of being divested, whereas US consumers display an 'all or nothing'-mentality (i.e., being the best *or* the worst customer is better than being stuck in the middle; see also Limmer, 2011). Because German consumers also consider whether or not differential customer treatment is merited, it is advisable for firms to emphasize that preferential customer treatment is always well deserved.

A further argument for a differentiated treatment is that consumers, especially Germans, are generally pleased when preferred. Yet, service firms must be careful to treat customers "differently, not badly" (Selden & Colvin, 2003, p. 180) because it has been revealed that negative reactions to non-preferred treatment turn out to be more extreme than positive reactions to preferred treatment. In addition to this summary, Table 14 provides an overview of managerial Do's and Don'ts that can be derived from the present studies.

Table 14 *Managerial Implications of Project I*

United States	Germany
Managerial Do's	
Differential customer treatment in the airline, banking, and telecommunications context:	
- Priority treatment of most profitable customers. - Divestment of unprofitable customers. - Service to averagely or hardly profitable customers should be of a high standard.	- Priority treatment of most profitable customers—with special emphasis on the fact that preferential treatment is well earned. - Average/standard treatment of averagely profitable *and* unprofitable customers.
Use of customer socio-demographics as proxies:	
- High income, high educational level, and male gender indicate approval of differential customer treatment.	
Managerial Don'ts	
- Mediocre service to averagely or hardly profitable customers in general.	- Divestment of unprofitable customers in general.
Differential treatment in medical services.	

If managers apply these findings, one caveat should be mentioned. Consumers participating in the present studies evaluated industry *scenarios*, not specific companies. Although the scenarios were based on various information sources (e.g., press, qualitative interviews with experts and consumers, information from consumer protection, see Appendixes A and E), they may represent extreme cases of differential customer treatment. Prior to applying the findings to a specific company, managers should therefore compare how accurately the respective scenario (see Appendix D) reflects the current reality of their service provider.

From a theoretical perspective, two findings are particularly noteworthy. Firstly, in terms of consumers' fairness perceptions of differential customer treatment *in general*, consumers' understanding of distributive justice (i.e., their preference for equity vs. equality) appears to be of major importance. In Germany, consumers' attribution of outcomes (i.e., differential treatment) as either merited or unmerited seems to be of relevance as well. This finding could be underscored by future experimental research, in which different levels of customer responsibility for economic success could be primed.

Secondly, in terms of consumers' reaction intentions when *personally affected* by differential treatment, the principle of loss aversion (Kahneman & Tversky, 1984) appears to be applicable—because it has been shown that non-preferred treatment (a potential loss) has greater impact on consumers' reactions than preferred treatment (a potential gain). It will be an intriguing quest for future research to look into the loss aversion principle in more detail when it comes to differential treatment of customers. The priming of gains and losses using different industry scenarios could be a promising approach. Likewise, the principles of equity theory (Adams, 1963, 1965) would deserve further research in this context to understand whether German consumers really weigh inputs and outputs from individuals and firms differently, as previously suggested.

Overall, results must be tempered by limitations of the applied study designs. The presented studies were based on self-report. Although converging evidence was found—using a descriptive design in Study 1 and a pre-experimental design in Study 2—I must rely on consumers' perceptions and reaction intentions, not on their actual behavior.[37] Because working with customer databases may not be meaningful—the purchase behavior of dismissed customers cannot be observed, for example—future research should build on the presented findings using

[37] It has been shown repeatedly that consumers do not recall their past behavior correctly, leading to distorted answers when asked about their actual behavior (Lee, Hu, & Toh, 2000). In terms of more subjective constructs (e.g., consumers' values, attitudes, perceptions, and intentions), however, simply asking the consumer can be considered the most straightforward and promising approach (Rindfleisch, Malter, Ganesan, & Moorman, 2008), if designed appropriately (Podsakoff et al., 2003). Future research could further distinguish between non-preferred treatment and actual divestment when assessing consumers' reaction intentions, for example.

(field) experimental approaches (Anderson & Simester, 2011), as indicated in the previous paragraph. The second empirical project of the present dissertation also follows this principle.

Apart from experimental approaches, longitudinal (survey) designs would be desirable. Even though "a well-designed cross-sectional survey may serve as an adequate substitute for a longitudinal data collection," a closer observation of temporal order generally supports causal inferences (Rindfleisch et al., 2008, p. 264). It would be worth examining, for instance, if fairness perceptions of differential customer treatment also change distributive justice preferences over time. Although longitudinal designs and experimental approaches seem promising for the future, *Project I* can be regarded as a first, important step in understanding the consumer perspective on differential customer treatment.

In addition to the methodological suggestions above, the present research could be extended to further (e.g., non-Western) service economies. It has been shown, for example, that Asian Indian and Chinese participants allocate resources according to different principles than Americans (Leung & Bond, 1984; Murphy-Berman, Berman, Singh, Pachauri, & Kumar, 1984) and that Chinese and American consumers evaluate dynamic pricing differently (Bolton, Keh, & Alba, 2010)—findings that may have implications for differential customer treatment as well. Furthermore, Finkel and colleagues have demonstrated that Japanese adults prefer the principle of equality to a stronger degree than US adults and that unfairness perceptions because of discriminatory treatment are more salient in Japan than in the United States (Finkel, Crystal, & Watanabe, 2001). On a more general level, Hegtvedt (1992) argues that Western cultures share a similar philosophical idea of justice that is contrasted with a different philosophical background (e.g., Confucian ideas) in research that compares Western and Asian cultures.[38]

Apart from research in non-Western cultures, the present research could be deepened within the United States and Germany to better capture the rich psychographic and demographic diversity *within* both countries. It has been argued, for instance, that racial stereotypes play a role in the United States when it comes to attitudes related to equity, equality, redistribution, and welfare (Alesina et al., 2001; Gilens, 1999)—an aspect that has not been considered in the

[38] In addition to Western and Confucian cultures, six further *cultural zones* have been distinguished (Huntington, 1993; Inglehart & Baker, 2000): Japanese, Islamic, Hindu, Slavic-Orthodox, Latin American, and African.

studies presented. That is, apart from sample stratification in terms of gender, age, and education, further stratification criteria are desirable.

Moreover, it would be also worthwhile to extend the present studies to further European countries, for example France, to examine if Germany is really a ‘good’ representative of a European ‘Old World’ society, as described in Chapter 3.2 of the present work. Likewise, revisiting the idea of American Exceptionalism, future work in further countries would enable researchers to ascertain who really is *exceptional* when it comes to perceptions of differential customer treatment, German or US consumers.

In terms of further, cross-culturally relevant dimensions predicting the fairness perceptions of differential customer treatment, future studies could include Hofstede’s classic dimensions of culture (2001) as well as Schwartz’ value orientations (1997). In terms of Hofstede’s dimensions (2001), *power distance* (i.e., the degree to which members of a society expect and accept unequal distributions of power) and *individualism* (i.e., the degree to which members of a society are integrated into groups) may be relevant. Maybe consumers who score high in both power distance and individualism are advocates of differential customer treatment. In terms of Schwartz’s value orientations (1997), the dimension *hierarchy versus egalitarianism* may be similarly interesting in the context of differential customer treatment.

Furthermore, other aspects of service fairness than distributive justice, namely procedural and interactional justice, would deserve a closer look (see Table 4). Procedural justice possibly plays an important role because differential customer treatment may violate customers’ privacy as well as their wish for transparency. Regarding privacy, it has been discussed in the press, for example, if customer profitability analyses of financial service providers might lead to invasions of privacy (Serres, 2002). Selden and Colvin (2003), however, argue that customers usually expect financial service providers to know a lot about them. Regarding transparency, Brady (2000) and Schaar (2007) point out that consumers are not always aware of the fact that they are scored and classified by various service providers. Thus, sometimes, consumers do not know about differential customer treatment—a practice they might consider debatable if asked. With regard to interactional justice, Brady (2000) speaks of a decline in the level of respect given to customers. That is, the focus on the profitability of customers may lead to a view of customers as commodities and may replace the view of customers as individuals or segments with certain needs. Again, Selden and Colvin (2003, p. 180) counter this argument with the above-cited remark that differential customer treatment only implies to treat customers “differently,” but “not badly.” In addition to procedural and interactional justice, the need-principle of distributive justice may be also worth examining (see Table 4). Although the distributive justice principles of equity and equality seem to dominate peoples’ reasoning in studies on distributive justice (e.g., Rasinski, 1987), the (neglected) need principle could lead to further interesting insights in the context of differential customer treatment. Different need levels could be manipulated in experimental research, for example. That is, consumers may consider differential treatment more fair if they are made aware of situations in which some consumers simply *need* special services (e.g., a business traveler who wants to fly home after a long work day may *need* faster boarding to be able to get home on the same day).

The present research could not only be enriched by examining further justice principles, but also by examining consumers’ attributions more closely. Study 2 has concentrated on consumers’ economic locus of control and the question if differential treatment is accordingly perceived as merited or unmerited. It has not been addressed, however, what consumer infer about the service providers’ motivations.[39] Do consumers assume that service providers are simply forced by competition to apply such strategies, or do consumers assume that service providers aim to maximize their profits by all means? Exploring these beliefs could also lead to a better understanding of consumers’ fairness perceptions.

Apart from the emphasis on country differences, a closer investigation of industry differences could be of practical relevance. So far, the explanation of industry differences, which were found concordantly in both studies, is inconclusive. A closer examination of perceived switching costs and relationship strength might lead to conclusions. Apart from the industries studied, further sectors could be included in future research, for example mail order businesses. Mail order companies frequently apply differential customer treatment (Krafft & Rutsatz, 2006), usually based on RFM-analyses (Reinartz & Kumar, 2002). Catalogue mailings, for instance, are typically tailored to the customers’ purchase history. Because the mail order industry is not regarded as particularly existential when compared with medical services or financial services (the mail order industry was included in the student survey mentioned in Chapter 3.3.4; the mean rating of the mail order industry was $M = 3.85$, $SD = .93$ on a scale

[39] Although the scenarios used included a standard sentence (“By means of the presented steps, the service provider hopes to be able to keep up with its competitors”; see Appendix D and M), it is still possible that respondents inferred further company motives.

from 1 = *fulfills basic needs* to 5 = *fulfills luxury needs*), differential treatment may be considered rather fair in this sector. Moreover, relationships in this sector are not as personal as in the medical context. Still, in the qualitative pre-study (see Appendix E), some consumers mentioned that they felt disappointed or slightly irritated when they realized that well-liked catalogues (e.g., from *Impressionen* or *Hawesko*) did not arrive anymore after a longer non-purchase period.

Further avenues for future research on differential customer treatment—beyond the consumer perspective—are presented in Chapter 5 of the present work. Prior to Chapter 5, Chapter 4 presents the second empirical project of this dissertation. As mentioned in the introduction, *Project II* also aims to mitigate possible fairness issues of differential treatment for both consumers and service providers. Using an experimental design, *Project II* focuses on how service providers' self-presentations affect consumers' expectations and fairness perceptions of differential customer treatment. In other words, it is investigated how relationship norms influence consumers' stance on differential customer treatment.

4 Project II: How Should Firms Present Themselves?

Project I has focused on country differences in the perceived fairness of differential customer treatment. In addition, industry differences as well as within-country differences have been explored. It is also possible, however, that customers react differently to differential customer treatment within the same industry. *Project II* addresses a facet of this question: It strives to investigate how service providers' self-presentations (investigated in a single industry) affect consumers' service expectations and fairness perceptions of differential customer treatment. Ultimately, this project aims to help both consumers and service providers to avoid false consumer expectations and fairness issues in the context of differential customer treatment.

The remainder of this chapter proceeds as follows: The theoretical basis of *Project II*, primarily ideas of Clark and Mills (1979) as well as Fiske's theory of social relationships (Fiske, 1992), is introduced at first. Previous marketing research that builds on this theoretical tradition is presented next. Subsequently, differential customer treatment is viewed from the angle of this theory. Hypotheses are derived, and experimental research is presented.

4.1 Theoretical Basis: Social Norms and Market Norms

"In the last few decades companies have tried to market themselves as social companions—that is, they'd like us to think that they and we are family, or at least friends" (Ariely, 2009, p. 78/79). Examples can be found both in product and service marketing. Until recently, *Henkel* has claimed to be *a brand like a friend* and has been awarded a price for this communication strategy (Henkel, 2008). Internet providers promise their customers to treat them like friends (e.g., Artsci, 2011), and financial service providers tell their customers that they would not primarily care about profits, but most of all and truly about customers themselves (e.g., JMB Financial Services LLC, 2011; Profile Finance S.A., 2011). Price and Arnould (1999, p. 39) also note that businesses of many sectors "promise clients friendship in their marketing communications" (also see Appendix L). Ariely (2009, p. 78/79), however, points out that these companies fail to consider the risks that may come along with this self-presentation. In particular, he alerts that "if you're a company, you can't treat your customers like family one moment and then treat them impersonally—or, even worse, as a nuisance or a competitor—a moment later when this becomes more convenient or profitable." Theoretically, Ariely's criticism (2009) points to the fact that some companies intermix *social norms* and *market norms*. This distinction can be traced back to Clark and Mills (1979) as well as to Fiske (1992).

Clark and Mills (1979) distinguish between two general types of relationships, *exchange relationships* and *communal relationships*. The authors put forward that in *exchange relationships* (e.g., business relationships), giving something leads to the expectation of receiving a comparable benefit in return. In *communal relationships* (e.g., in a family), in contrast, people respond to each other's needs and are concerned long-term with the welfare of each other. Consequently, giving something should not lead to the expectation or obligation to give a comparable reward back in return. Clark and Mills (1979) show in a first experiment that in case an exchange (communal) relationship is desired, a request for a benefit in return for a benefit from the other person leads to higher (lower) attraction. In a second experiment, they demonstrate that in case an exchange (communal) relationship is desired, a request for a benefit without having received a benefit before leads to lower (higher) attraction. Further experimental research also supports this distinction. It has been demonstrated, for example, that members of an exchange relationship keep closer track of their inputs to a joint task than members of a communal relationship (Clark, 1984). Moreover, if a communal relationship is desired, people keep closer track of each other's needs, independent of the opportunity to get help in return (Clark, Mills, & Powell, 1986). Clark (1981) has also shown, varying the comparability of benefits given and received, that the perception of friendship is more strongly associated with noncomparable benefits than with comparable benefits.

Reconsidering the work of Clark and Mills (1979) as well as of other social scientists who "repeatedly—and independently—discovered … fundamental forms of social relations" (Fiske, 1992, p. 690), Fiske proposes that people of all cultures use only four basic forms of social relationships to "generate most kinds of social interaction, evaluation, and affect" (Fiske, 1992, p. 689). More specifically, Fiske (1992) distinguishes between *communal sharing*, *authority ranking*, *equality matching*, and *market pricing* relationships. *Communal sharing* relationships (e.g., close family ties) are characterized by a strong sense of unity and cohesiveness. Altruism and kindness are paramount. In contrast, *authority ranking* relationships are based on a strong hierarchical rank order (such as in the military). *Equality matching* relationships involve a focus on fair turn taking. People in such relationships monitor the balance of reward allocations to ensure equality. As examples, Fiske (1992, p. 691) mentions "people in a car pool or a baby-sitting cooperative, or matching rules for competitive sports." Overall, *equality matching* can be seen as lying in between *communal sharing* and *authority ranking* relationships—"they are very structured but exhibit equality" (Heyman & Ariely, 2004, p. 788). The fourth form of relationship, *market pricing*, is characterized by an emphasis on proportionality and rational cost-benefit analyses. Most of these relationships involve money (e.g., in the form of prices, salaries, interest rates, or commissions).

This theoretical distinction of four basic relationship modes has been empirically supported (e.g., Fiske, Haslam, & Fiske, 1991). Many researchers following Fiske's tradition, however, have only worked with a distinction of two relationship modes (e.g., Aggarwal, 2004; Heyman & Ariely, 2004). Heyman and Ariely (2004, p. 788) point out that Fiske's four relationship modes can be divided into a non-monetary "social market" that involves *communal sharing*, *authority ranking*, and *equality matching* and into a "money market" that only involves *market pricing*. Aggarwal (2004) distinguishes between *communal* and *exchange relationships*, like Clark and Mills (1979). The present work adopts this fundamental dichotomy and henceforth speaks of *social norms* and *market norms*, following Ariely (2009). Table 15 gives an overview of the most important characteristics of these relationship norms.

Table 15 *Characteristics of Relationships Based on Social Norms Versus Market Norms*

	Relationship based on *social norms*	Relationship based on *market norms*
Related terms	Communal relationship, social market, communal sharing	Exchange relationship, money market, market pricing
Exemplary characteristics	Members of a relationship based on social norms are more likely to: - React negatively to specific repayments of a favor. - Not keep close track of inputs when working a joint task. - Not feel exploited when help is not specifically returned. - Welcome expressions of emotions from the other. - Help others (independent of the possibility to get help in return).	Members of a relationship based on market norms are more likely to: - React positively to specific repayments of a favor. - Keep close track of inputs when working on a joint task. - Feel exploited when help is not specifically returned. - Not welcome expressions of emotions from the other. - Not help others (except there is the possibility to get help in return).

Note. Table is based on Aggarwal (2004), Ariely (2009), Clark and Mills (1979), Clark (1984), Clark and Waddell (1985), Clark et al. (1986) Clark, Ouellette, Powell, and Milberg (1987), Clark and Taraban (1991), Fiske (1992), and Heyman and Ariely (2004).

The present work also follows the thoughts of Clark and Mills (1979) and Ariely (2009) that the balance between social norms and market norms is delicate—and that research may be most interesting in areas where boundaries between both types get blurred. Existing marketing research in this tradition will be presented in the following. That is, the theoretical basis presented has been transferred from purely social relationships to relationships between firms/brands and consumers.

4.2 Marketing Research on Relationship Norms

As indicated in the previous section, there is abundant research on relationship norms, both basic and applied studies. Basic research mainly stems from social psychology (see, for example, the papers of Clark and colleagues mentioned above). In addition, Heyman and Ariely (2004) underline in their foundational research that—due to the influence of social versus market norms—people sometimes invest more effort when they receive no payment than when they receive a low payment.[40]

Applied research on social and market norms has been undertaken in many contexts and is published in law, economic, management, and marketing journals, for example.[41] In the following, an overview of marketing research on relationship norms is given. This overview comprises two parts. The first part summarizes studies that imply research on social and market norms tacitly. The second part presents studies that explicitly refer to the frameworks of Fiske (1992) and/or Clark and Mills (1979).

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[40] Heyman and Ariely (2004) point out that this effect is different from research on the undermining effect of extrinsic rewards on intrinsic motivation (Deci, Koestner, & Ryan, 1999) because, in their study, rewards were given at the outset and were not contingently following performance.

[41] In the context of organizations, work and friendships ties have been investigated, for instance. In this research (Lincoln & Miller, 1979), the term *primary ties* refers to relationships based on social norms, whereas the term *instrumental ties* refers to relationships based on market norms. A further popular study whose findings have been explained in terms of relationship norms is published in a law journal (but mainly cited by economists): Gneezy and Rustichini (2000) find in the context of childcare centers in Israel that the number of parents who pick up their children late (forcing teachers to stay longer) sharply increases after the introduction of a small monetary fine. That is, contrary to intuition, a penalty did *not* decrease, but increase, the punished behavior. The authors and others (e.g., Levitt & Dubner, 2009, p. 20) explain this finding by means of relationship norms. Prior to the fine, late-coming parents might have felt a bit guilty over time because the teachers had to do them a favor every day, without any return. The introduction of the fine, however, turned their relationship into a real market relationship (again): "For just a few dollars each day, parents could buy off their guilt." Economists have also investigated what happens if social norms (also referred to as altruism) are mixed with market norms (also referred to as selfishness) within families, for example in the context of bequests (e.g., see Bernheim, Shleifer, & Summers, 1985, on *the strategic bequest motive*).

4.2.1 Work That Implies the Distinction Between Social Norms and Market Norms

With the rise of relationship marketing in both academia and practice, some scholars have criticized the use of the term *relationship*. They regard the relationship metaphor as well as analogies with close interpersonal relationships (like marriage) as inappropriate and possibly misleading (e.g., Hansen, 2000; O'Malley & Prothero, 2004; O'Malley & Tynan, 1999, 2000). O'Malley and Prothero (2004, p. 1289), for instance, show that consumers tend to react cynically when asked to comment on relationship marketing promises ("it's not a relationship because at the end of the day the bastards want my money"). Likewise, Fournier et al. (1998, p. 44) criticize that relationship marketing rhetoric often differs sharply from reality—in reality, many service providers praising the opportunities of relationship marketing "have forgotten that relationships take two." In line with this thought, it is controversially discussed in Germany, for example, if companies like *IKEA* or *Apple* should really address customers informally on a first-name basis (Forum Macwelt, 2010; Heyl, 2005). In accord with the criticism above, Gutek, Groth, and Cherry (2002) suggest a more elaborate distinction between service *relationships* and service *encounters*. In their framework, relationships are characterized by a strong link between customers and service providers (e.g., evolved from repeated personal interaction), whereas encounters are defined by a loose link between these parties.

Still, several studies show that *rapport* and *friendship* can indeed evolve in employee-customer relationships (e.g., Gremler & Gwinner, 2000; Price & Arnould, 1999). In prior research, rapport has been defined as a relationship quality characterized by "harmony, conformity, accord, and affinity" (Bernieri, Gillis, Davis, & Grahe, 1996, p. 113).[42] Friendship, however, is more than rapport (Gremler & Gwinner, 2000). In the study of Price and Arnould (1999, p. 50), a high level of "affection, intimacy, social support, loyalty, and reciprocal gift giving" earmarks friendship. Price and Arnould (1999) illustrate, for example, that friendships sometimes develop between hairstylists and their clients. Across four studies, however, they also find that about a fifth of their participants refuse to call the relation to their hairstylist *friendship*. These customers state that, even if they are friendly to each other, their relationship would be still business: "I think if it went any deeper than that I wouldn't feel comfortable about paying her, or giving her the right amount of tip" (participant of Price & Arnould, 1999, p. 46). In a further study (Danaher et al., 2008, p. 53), the percentage of customers who

[42] The previously mentioned study on the importance of social and confidence benefits in customer relationships (Hennig-Thurau et al., 2002; see Chapter 2.3.1) also fits into this research stream.

are “relationship averse” or “relationship indifferent” is considerably larger than in the hair-styling-context examined by Price and Arnould (1999). Danaher et al. (2008) report that in the context of telecommunications (banking), 40% (31%) of their sample is relationship averse, 24% (34%) relationship indifferent, and 36% (35%) relationship keen. When it comes to the relationship with their family doctor, however, 0% are relationship averse, 40% are relationship indifferent, and 60% relationship keen. Hillebrand and Bloemer (2004) further explore the reasons why consumers may resist relationships with their service providers. They find several reasons, the primary one being indifference. Further reasons include consumers’ need for freedom and for variety, price consciousness, as well as the consumers’ wish to support all smaller shops or service providers equally.

Apart from research on consumers’ willingness to engage in relationships or friendships with their service provider in the first place, a further research stream examines the stability of such relationships in the face of service failures.

Following a poorly recovered service failure in the airline context, for example, customers with a higher relationship quality (based on measures of trust, commitment, and satisfaction) feel more betrayed than customers with a lower relationship quality (Grégoire & Fisher, 2008). In the context of online complaining, it has also been demonstrated that this effect is quite stable over time. Customers characterized by a (previously) high relationship quality do not only feel more betrayed but also desire revenge for a longer period, which has been called “a longitudinal love-becomes-hate effect” (Grégoire, Tripp, & Legoux, 2009, p. 18).

Although the studies presented do not mention the distinction between social norms and market norms explicitly, they are all concerned with how these norms intertwine in the service context. Some consumers want the world of business to be clearly separated from the world of relationships or even friendship, as shown in the works of Price and Arnould (1999), Danaher et al. (2008), and Hillebrand and Bloemer (2004). If a stable, trustful and satisfying (business) relationship has evolved, however, consumers feel easily (personally) betrayed and disappointed by poorly recovered service failures and fairness norm violations, as shown in the works of Grégoire and his colleagues (Grégoire & Fisher, 2008; Grégoire et al., 2009).

Because the present study focuses on business-to-consumer services, research on relationships and relationship norms referring to product brands or business-to-business contexts is not elaborated here in detail. In terms of product brands, several much-cited articles have looked into the question if and how relationships develop between consumers and their favorite product brands (e.g., Fournier, 1998) and how consumers react to a brand's transgressions (i.e., the analog of a service failure in the context of products; see Aaker, Fournier, & Brasel, 2004). In the business-to-business context, Heide and Wathne (2006, p. 98) developed a framework of two central relationships: Building on role and game theory (Montgomery, 1998), they distinguish between the role of a businessperson, which is characterized by a maximization of individual payoffs, and the role of a friend, which is characterized by cooperation. They suggest that "shifts among fundamentally different relationship orientations are both possible and likely" in relationships between firms. Hence, although they start out from a different theory (i.e., not considering the works of Clark, Mills, and Fiske), their distinction between the roles of a businessperson and a friend is analog to the distinction between market and social norms.

4.2.2 Work That Refers to the Distinction Between Social Norms and Market Norms

Based on the research of Clark and Mills (e.g., 1979), Goodwin (1996, p. 389) has developed a theoretical framework of *communality* in services. She proposes that communal and exchange relationships are not a dichotomy—she assumes an underlying dimension, *communality*, which is defined as "the degree to which a service relationship resembles friendship." She uses the verb *resemble* intentionally because "the commercial core of service relationships precludes defining the relationship purely as friendship" (Goodwin, 1996, p. 389). In her framework, perceived communality is high if one or both parties in the service relationship perceive the other's behavior as voluntary and free from opportunism.

Although Goodwin (1996) has regarded communality as a dimension, experimental researchers have still worked with the dichotomy *communal* versus *exchange relationships* or *social* versus *market norms*, respectively. This experimental research is summarized below.

Aggarwal (2004) has translated Clark's and Mill's work on relationship norms (1979) into the relationship between consumers and their service brands. Hence, he assumes that consumers apply a similar standard whether evaluating brands or their fellow men. He confirms this assumption in three experiments, using financial services, health club, and coffee shop scenarios to prime consumers as either having a communal or an exchange relationship with their service provider. In particular, he shows that consumers in a communal relationship (as compared to consumers in an exchange relationship) perceive the charge of an extra fee for help as a norm violation. He also finds that 'communal consumers' prefer noncomparable benefits in return for help, whereas 'exchange consumers' prefer comparable benefits. In addition, he observes that communal consumers evaluate the service brand more positively if a request for help by the brand is delayed and not following directly after the consumers' request for help. In a further study, it is revealed that consumers in a communal relationship process brand information on a more abstract, holistic level than consumers in an exchange relationship (Aggarwal & Law, 2005). Moreover, Aggarwal and Zhang (2006) show that participants who are primed with a story on communal relationships among friends show a different degree of loss aversion (see Chapter 3.3.4) than participants who are primed with a story on exchange relationships among college roommates: When participants are asked to play the role of buyers or sellers of a coffee mug, the authors do not only show the classic *endowment effect* (i.e., selling prices turn out to be generally higher than buying prices),[43] but also an effect of relationship norms. Participants in the communal condition ask for higher selling prices, and the gap between selling and buying prices is larger in the communal group than in the exchange (and the control) group—pointing to a higher degree of loss aversion in the communal group.

Besides these studies, a forthcoming paper (Wan, Hui, & Wyer, 2011) examines how consumers react in situations of service failure—when the service provider is a friend at the same time. The authors find that consumers have a higher tolerance for service failures if their attention is drawn to the service provider's perspective and to their own obligations. Having summarized existing marketing research on relationship norms, this thesis turns again to the topic of differential customer treatment, which has not been investigated from the perspective of relationship norms so far.

4.3 Differential Customer Treatment and Relationship Norms

A growing number of service providers with the possibility to assess their customers' profitability over time either pursue differential customer treatment already or intend to link up their services and their customers' profitability in the future (Homburg et al., 2008). Valuing

[43] The term *endowment effect* (Kahneman, Knetsch, & Thaler, 1991; Thaler, 1980) characterizes the phenomenon that people usually demand a lot more to abandon something than they would be willing to invest to acquire it. This effect has been used in marketing to explain why so many new products fail (Gourville, 2006).

customers and treating them according to their (expected) monetary value for the firm—as described in detail in Chapter 2 of the present work—implies a customer-firm relationship that is purely based on market norms. That is, service providers are driven by monetary considerations and a rational cost-benefit analysis, as described by Fiske (1992). A good and friendly service is not delivered primarily for the sake of the served person, but for the sake of the company's return. What happens, however, if such service providers present themselves as the customers' friend, pointing to social norms (and camouflaging market norms)? Do consumers still think, after all, that business remains business—or do their service expectations change? As mentioned earlier, several authors have claimed that pseudo-amicable self-presentations and pseudo-cordial promises may misdirect consumers (e.g., Ariely, 2009; Hansen, 2000). Still, empirical research on this topic, particularly in the context of differential customer treatment, is lacking. Moreover, the hitherto existing research (e.g., Aggarwal, 2004; Grégoire & Fisher, 2008) has focused on existing (communal vs. exchange) relationships,[44] but not on the company's self-presentations to (potential) customers in mass marketing communication.[45]

4.3.1 Priming of Relationship Norms

The present work acts on the assumption that a company's diction used in its self-presentations acts as a *prime*. In general, *priming* "refers to the incidental activation of knowledge structures, such as trait concepts and stereotypes, by the current situational context" (Bargh, Chen, & Burrows, 1996, p. 230; for the history of this term see Bargh & Chartrand, 2000). In particular, priming refers to a temporary activation of these knowledge structures, whereas automaticity research refers to long-term, chronic individual differences in perceiving situations. Yet, both priming and automaticity research are concerned with how internal knowledge structures may be activated and may influence human behavior without the individual being aware of it (Bargh & Chartrand, 2000). Figure 14 illustrates these similarities and differences.

[44] Aggarwal (2004, p. 91), for example, makes either communal or exchange relationships salient in his experimental priming scenarios. That is, he tells participants in one of his communal scenarios that they are long-term bank customers who are "very happy" and "thrilled" about the bank's services. Interactions with the bank are described as "very pleasant and warm." In addition, the bank seems "to be taking a personal interest." In the exchange scenario, the bank is described as an "excellent" one as well. However, this scenario does not emphasize personal matters, but only work related facts ("paperwork done quickly," "very good interest rates").

[45] Mass marketing (i.e., advertising) can pertain to service and/or brand advertising and is usually distinguished from direct (i.e., targeted) marketing communications (Prins & Verhoef, 2007). In the present project, the term "self-presentation" refers to mass marketing communication that advertises a service.

Many experiments have confirmed the impact of priming. If the concept of hostility is primed at first, for example, participants' impression of a newly introduced person (in an unrelated task) is—without the participants being aware of it—considerably more negative than when hostility is not primed (Bargh & Pietromonaco, 1982). The concept of rudeness and stereotypes regarding old age have been primed in a similar manner. Bargh et al. (1996) have shown that participants primed with rudeness (vs. politeness) in a sentence test are more likely to interrupt a conversation in a second, unrelated task. In addition, they have revealed that after the priming of old age stereotypes, using words like "Florida, old, lonely … retired, wrinkle" among others (Bargh et al., 1996, p. 236), participants walked more slowly than control participants. Recently, a further study has demonstrated that the experience of physical warmth (i.e., holding a cup of hot vs. iced coffee) leads to stronger feelings of interpersonal warmth, without the coffee drinkers being aware of this linkage (Williams & Bargh, 2008). Given these findings, Bargh and Chartrand (1999, p. 476) argue that deliberate, conscious intentions only make up a small share of our daily life. They suggest that nonconscious mental processes act as a "mental butler" in guiding us through the bulk of our daily decisions.

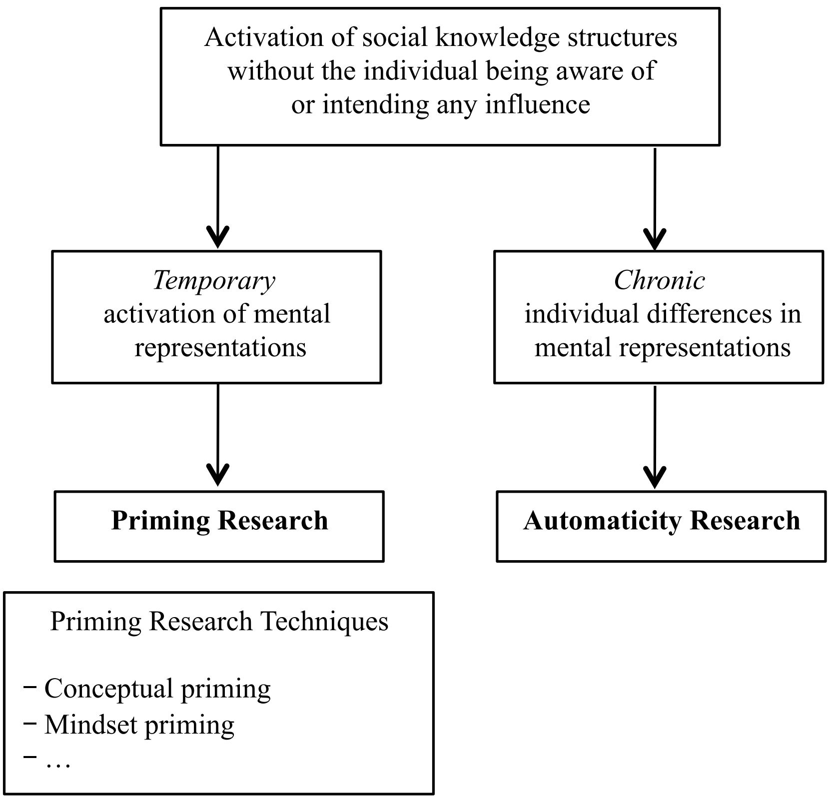

Figure 14. Priming and Automaticity Research
Own, simplified illustration based on Bargh and Chartrand (2000). Conceptual priming refers to the activation of trait concepts and stereotypes, whereas mindset priming refers to the activation of goals.

As mentioned above, it is assumed that the word choice in a company's self-presentation will act as a prime. Thus the (supraliminal use of the) word *friend* may temporarily activate the concept of friendship and corresponding social norms, without the consumer being aware. Based on this assumption, the hypotheses of this study are presented next.

4.3.2 Hypotheses

Because a company's self-presentation as a friend is expected to activate social relationship norms, consumers' expectations toward this company are assumed to shift from market norms, which have been described as the "default" in business transactions (Aggarwal & Zhang, 2006, p. 417), to the expectation of a treatment that is at least partly based on social norms. Thus differential customer treatment, which is per definition purely based on market principles, will be less expected by consumers who read a 'friend-presentation'—as compared to consumers who read a usual 'business-presentation' or no presentation at all.

> Hypothesis 1 (H1): Consumers exposed to a company's self-presentation as a friend expect differential customer treatment to a lesser extent than consumers exposed to a self-presentation as a business partner (H1a) or no self-presentation at all (H1b).

Although differential customer treatment follows the equity-principle and market norms, consumers do not consider this approach completely fair (see *Project I* of the present dissertation). The fairness literature also reports that unexpected unfairness elicits more distress than expected unfairness. Austin and Walster (1974, p. 208) argue—and show—that, whenever a person expects an injustice, this person will prepare and thus will be "cognitively and physiologically set for the event." They embed this finding in consistency theories (e.g., Festinger & Carlsmith, 1959), which propose that people experience displeasure when they are not able to make good predictions. Thus positive (negative) feelings arise in case expectancies are (dis)confirmed.[46] In line with these thoughts, it is assumed that consumers who read a company's self-presentation as a friend will not only expect differential customer treatment to a lesser extent, but also perceive differential customer treatment as more unfair than consumers

[46] Decision affect theory (Mellers, Schwartz, Ho, & Ritov, 1997) also posits that expectations play an important role in the evaluation of outcomes. Both theories agree that *unexpected* negative outcomes are more unpleasant than *expected* negative outcomes. In contrast to consistency theories, however, decision affect theory proposes that only unexpected *negative* outcomes, but not unexpected *positive* outcomes, are unpleasant (Shepperd & McNulty, 2002).

in the business partner- and in the control-condition.[47] Similarly, Aggarwal (2004) argues that a corporate action that is not in accord with the relationship norm as perceived by the customer will be regarded as a (fairness) norm violation.

> Hypothesis 2 (H2): The more consumers expect differential customer treatment, the less unfair it is perceived.

> Hypothesis 3 (H3): Consumers exposed to a company's self-presentation as a friend perceive differential customer treatment as more unfair than consumers exposed to a self-presentation as a business partner (H3a) or no self-presentation at all (H3b).

Different forms of corporate self-presentations may not affect all consumers in the same way. In particular, it is assumed that *potential* and *existing customers* may perceive these presentations differently. In line with Aggarwal (2004), who has shown that norm violations impact existing customers' evaluations quite strongly, it is expected that existing customers who are exposed to a corporate self-presentation as a friend may be even more 'surprised' and less pleased by the introduction of differential customer treatment than potential customers. Hence, existing customers, (implicitly) expecting a relationship based on social norms, are assumed to regard the introduction of differential treatment as an even stronger fairness norm violation than potential customers who have no prior relationship with the company.

Although customers characterized by a good and long-term relationship with a service provider are more vulnerable when it comes to service failures (Grégoire & Fisher, 2008), no differences are expected for existing versus potential customers who are exposed to a corporate self-presentation as a business partner or no presentation at all. It is assumed that both potential and existing customers regard market norms as standard in business life (Aggarwal & Zhang, 2006). If a company does not make wrong promises but presents itself as a *business* partner, the introduction of differential customer treatment—which is not a service failure but a practice based on market norms—is not expected to have differential effects in these customer groups.[48]

[47] Analogous to the confirmation-disconfirmation paradigm in the context of customer satisfaction research (Oliver, 1996b), the term *negative disconfirmation* could also be used in this context.
[48] Possible perceptions of unfairness may arise due to consumers' preference for the equality principle, for example (see *Project I*), independent of being an existing or a potential customer.

Hypothesis 4 (H4): Existing customers who are exposed to a company's self-presentation as a friend not only expect the introduction of differential customer treatment to a lesser extent than potential customers who are exposed to the same self-presentation (H4a), but also perceive this approach as more unfair (H4b).

The empirical examination of the hypotheses developed above is described in the following. A priming experiment has been conducted in a sample of German adults.

4.3.3 Method

Participants. The presented hypotheses were tested in a 3 × 2 experimental design with *type of self-presentation* (social norms, market norms, control group) and *customer status* (potential or existing customer) as the between-participants conditions. The experimental manipulation of the service provider's self-presentation—as either a friend (pointing to social norms) or a business partner (pointing to market norms)—has been tested and adjusted in two online pre-studies, using a convenience sample (N = 40) and a student sample (N = 57).[49] The final experiment was also conducted online. The sample (N = 244 German respondents) was provided by a market research institute and stratified by gender (49% women), age (range was 19–70 years, M = 42.44, SD = 13.68), and education (42% with university-entrance diploma).[50] The sample size has been determined based on Cohen (1992), who recommends a minimum cell size of n = 35 for an ANOVA with six groups (Power = .80, α = .05, medium effect size = .25). Due to the exclusion of multivariate outliers (Tabachnick & Fidell, 2000) and 'speeders,' final cell sizes vary slightly from n = 38 to n = 44. Table 16 gives a more detailed overview of the final cells. Information on further socio-demographic characteristics (e.g., occupation and household size) is presented in Appendix C.

[49] After some adjustments in word choice, the self-presentations of a fictitious telecommunications company were, in the second pretest (N = 57), perceived as significantly more amicable and cordial in the friend-condition (than in the business partner- and in the control-condition; $F(2, 54) = 5.37$, $p = .01$) and as significantly more businesslike and profit-oriented in the business partner- and in the control-condition (than in the friend-condition; $F(2, 54) = 7.26$, $p = .002$). The Bonferroni procedure was used in post hoc tests.

[50] Like in the previous studies of this dissertation, the study was programmed with Unipark. The link was sent to a market research institute that has been commissioned to provide a German sample (6 × n = 45). Respondents received approximately 1.50 EUR for their participation. On average, they needed 12 minutes to complete the experiment. The final sample (N = 244) resulted from a quality check in terms of multivariate outliers (Tabachnick & Fidell, 2000) and from the exclusion of 'speeders' who completed the survey extremely fast (under 3.5 minutes). See Chapter 3.3.1 (Study 1) for the choice of the online format and the explanation of outlier analyses. Like in the previous studies, questions on income, political attitudes, and occupation were not mandatory. Thus missing data were only present regarding these items.

Table 16 *Project II: Sample Characteristics*

Experimental condition	Cell Size	Gender (% women)	Age (*M*, *SD* in years)	Education (% with Abitur[a])
Control, potential c.	44	50	46.07 (12.63)	36
Control, existing c.	40	50	40.87 (13.80)	48
Friend, potential c.	39	51	41.33 (12.63)	44
Friend, existing c.	38	53	39.76 (11.82)	25
Business partner, potential c.	40	43	45.68 (15.34)	43
Business partner, existing c.	43	49	40.53 (15.34)	55
Overall sample[b]	244	49	42.44 (13.68)	42

Note. c. = customer; *M* = mean; *SD* = standard deviation.
[a] University-entrance diploma.
[b] Further sample characteristics can be found in Appendix C.

Materials and Procedure. The online experiment involved six steps, as illustrated in Figure 15. Overall, the experimental design was a *posttest-only control group design* (Campbell & Stanley, 1963; Malhotra & Birks, 2007) with a baseline measurement to control for selection bias (beyond randomization). Because the baseline is not identical with the dependent variable in the present experiment, the design is not a *pretest-posttest control group design*. A similar but different baseline was preferred to a pretest in order to avoid possible interactive testing effects that cannot be controlled in a pretest-posttest control group design (Campbell & Stanley, 1963; Malhotra & Birks, 2007).

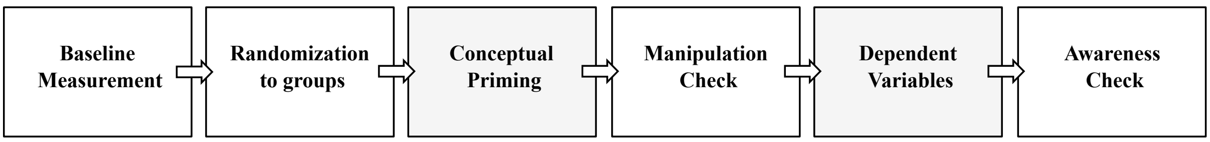

Figure 15. Experimental Procedure

Firstly—following a brief introduction and screening questions on gender, age, and education—the *fairness baseline* mentioned above was assessed by two questions drawn from the World Values Survey (2006) to make sure that the experimental groups do not have differed from the outset. The first question referred to how much confidence the respondents have in the fair behavior of their fellow citizens. The second question referred to how much trust they have in the fair behavior of the country's major companies (see Appendix M for the wording).

In the second step of the experiment, participants were randomly assigned to the six experimental groups (using the 'random selected' function of Unipark). The third step involved the priming of the concepts *friend* (i.e., social norms) and *business partner* (i.e., market norms), whereas no prime was presented in the control condition. More specifically, participants were asked to read the self-presentation of a fictitious telecommunications company named *call & communicate*. In the friend-condition, the service provider claimed to be 'like a good friend' who is reliable around-the-clock. No mention was made of prices or a structured business relationship (e.g., via a loyalty program). In the business partner-condition, the service provider described itself as 'your telecommunications business partner,' available twenty-four-seven. Furthermore, the business exchange was made salient via the mentioning of prices and a rewards program. In the control condition, participants only learned that a given telecommunications company aims to provide good services. Each condition—friend, business partner, and control—was either directed at existing or potential customers. That is, participants were either told that they would read the self-presentation of a new telecommunications company (i.e., they were addressed as potential customers), or they were told to read the self-presentation of a telecommunications company whose services they have been using for a long time (i.e., they were addressed as existing customers). The specific wording of this information and the company's self-presentations are presented in Table 17 and Table 18. Telecommunications was chosen as context because differential customer treatment is frequently applied in this industry (e.g., see Appendix A). In addition, the telecommunications sector belongs to the top advertising spenders in Germany; the spending is higher than in the financial services sector, for instance (GWA, 2008). Moreover, I assume that, in telecommunications, consumers think of the service brand rather than of a given customer consultant when reading a provider's self-presentation (the reverse may be true for financial services). That is, the dependent variables are assumed to reflect the consumers' reaction to the behavior of the service brand, which is not intermixed with sentiments toward a particular service employee.

The fourth step of the experiment comprised a manipulation check, following the logic of Aggarwal (2004).[51] That is, participants were asked how cordial and amicable and how profit-oriented and businesslike they perceive the presented self-presentations (or the mere information in the control group).[52] To rule out possible alternative explanations, participants were also asked how honest and authentic they perceive the presented texts. The psychometric properties of the manipulation check scales were satisfactory (amicable: 3-item scale, Cron-

[51] Sometimes, priming experiments are conducted without manipulation checks—but with related checks to rule out possible explanations (e.g., Bargh et al., 1996). If the experimental setup does not preclude manipulation checks, they are regularly included in priming research (e.g., Aggarwal, 2004; Bargh & Pietromonaco, 1982).
[52] Following Aggarwal (2004), the response format was unipolar (see Appendix M).

bach's α = .83, explained variance in EFA = 75%; businesslike: 4-item scale, Cronbach's α = .72, explained variance in EFA = 55%; honest: 3-item scale, Cronbach's α = .91, explained variance in EFA = 84%; all items were measured on 5-point scales from 1 = *agree not at all* to 5 = *agree very much*).[53] The exact wording of all items is presented in Appendix M.

In the fifth step of the experiment, the dependent variables—the expectation of differential customer treatment and the fairness perceptions of this very practice—were assessed. At first, participants were asked to read a scenario that described how the aforementioned telecommunications provider *call & communicate* plans to differentiate among its more or less profitable customers in the near future. The scenario text was partly drawn from the previous studies of the present dissertation (see Appendix M for the complete text). Subsequent to the differential treatment description, participants were requested to rate how expected and how fair they perceive this approach. Expectation and fairness of differential customer treatment were each measured by three bipolar, 5-point scale items (1 = *expected* and 5 = *unexpected*; 1 = *fair* and 5 = *unfair*, respectively). Like in the studies of *Project I*, the first item always referred to the top priority treatment of the service provider's best customers, the second item referred to the non-preferred treatment of 'average' customers, and the third item referred to the divestment of unprofitable customers. The respective items were aggregated into an expectation and into a fairness scale for further analyses (expectation: Cronbach's α = .83, explained variance in EFA = 76%; fairness: Cronbach's α = .82, explained variance in EFA = 75%).[54]

Table 17 *Experimental Variation I: Potential Customers Versus Existing Customers*

	Introductory text
Potential customers	Imagine a new telecommunications provider called *call & communicate*. This provider offers different telecommunications services (e.g. cell phone deals, landline services, and Internet services). In newspapers, online, and in television, *call & communicate* presents itself like this / as a provider who:
Existing customers	Imagine that you are a long-time customer of a telecommunications provider called *call & communicate*. This provider offers different telecommunications services (e.g. cell phone deals, landline services, and Internet services). You have already used a lot of these services. In newspapers, online, and in television, *call & communicate* usually presents itself like this / as a provider who:

Note. I translated the original German questionnaire for the present Table.

[53] On subsample level, Cronbach's α varied from .68–.90 in terms of the amicable-scale, from .60–.80 in terms of the businesslike-scale, and from .86–.95 in terms of the honest-scale.
[54] On subsample level, Cronbach's α varied from .78–.92 in terms of the expectation-scale and from .77–.87 in terms of the fairness-scale.

Table 18 *Experimental Variation II: Control Group, Friend, and Business Partner*

Control group	... *call & communicate* presents itself as a provider who: → Offers the best cell phone reception across Germany. → Is always available for its customers via its twenty-four-seven service hotline.
Friend	... *call & communicate* presents itself like this: ***call & communicate*** **We are Like a Good Friend!** We are reliable in all circumstances → We offer the best cell phone reception across Germany! If you need us, we are always there for you → Our service hotline is available twenty-four-seven! **Make a New Friend Today!** Just call us, we are happy to help you! We customize our offers to fulfill your wishes! We do our best for you!
Business partner	… *call & communicate* presents itself like this: ***call & communicate*** **Your Telecommunications Business Partner!** We offer the best cell phone reception across Germany at the best prices! **Switch to the Best Provider!** Just call us, our service hotline is available twenty-four-seven. We are happy to help you and offer an attractive rewards program!

Note. I translated the original German questionnaire for the present Table.

After an assessment of several socio-demographic characteristics as well as social desirability (see Appendix M), participants were asked in the sixth, last step of the experiment what they had considered the aim of the present study (in the introduction to the study, they had only been told that the study is conducted in the context of a dissertation and that it will take approximately 10-12 minutes to complete it). The question was open-ended; general comments on the study were also welcome. Such an awareness check has been described as mandatory in priming experiments (Bargh & Chartrand, 2000) to rule out the possibility that respondents have been aware of the priming influence. In the present experiment, this check is of great importance because the prime and the dependent variables (highlighted in grey in Figure 15) are not completely independent. In general, the prime and the dependent variables should be as independent as possible (Bargh & Chartrand, 2000). Complete independence is not feasible in the present experiment, however, because it aims to understand how a service provider's self-presentation affects consumers' perceptions of differential customer treatment of *this very* service provider. To classify the respondents' open comments, I have developed a coding scheme with five categories (*general marketing/services comment*s; *no idea*; *customer classification*; *study itself*; *rest*). The answers were coded both by a second, independent coder and myself. The percentaged interrater-reliability was 91.4%. Cohen's κ (Bakeman & Gottman, 1986) was also highly satisfactory, ranging from .75 (customer classification category) to 1.00 (rest category; see the results Chapter 4.3.4 for a further characterization of these categories).

Assumptions. (M)ANOVAs are the method of choice in analyzing experiments (e.g., Maxwell & Delaney, 2004). They require independent observations, normal distributions of the dependent variables, and homoscedasticity (Maxwell & Delaney, 2004; Weinfurt, 2000). Overall, these assumptions are met in the present study. First, the between-subjects design ensures independence of observations. Second, the central scales of the present study (*amicable*, *businesslike*, *honest*, *unexpected*, and *unfair*) do not deviate remarkably from normality if the skewness and kurtosis criterion of $\pm 2 \times$ SES/SEK is applied (Tabachnick & Fidell, 2000). Furthermore, Maxwell and Delaney (2004) note that (M)ANOVAs are fairly robust to violations of the normality assumption. Finally, Levené tests show that homoscedasticity is given with regard to all central scales, $F_{amicable}(2, 241) = .77$, $p = .46$, $F_{businesslike}(2, 241) = .66$, $p = .52$, $F_{honest}(2, 241) = .21$, $p = .81$, $F_{unexpected}(2, 241) = .16$, $p = .85$, $F_{unfair}(2, 241) = .23$, $p = .80$. As multivariate test statistic, Wilk's Lambda was chosen as recommended by Weinfurt (2000). The Bonferroni procedure was used in post hoc tests because this procedure corrects for the inflation of the α-level (Maxwell & Delaney, 2004) and has been described as a conservative test (Hilton & Armstrong, 2006). Specific hypotheses were tested via planned comparisons (i.e., contrasts; Hilton & Armstrong, 2006).

4.3.4 Results

Baseline. The analysis of the questions drawn from the World Values Survey (2006) reveals that the six experimental groups did not differ in their general fairness evaluations from the outset of this study. They show neither differences in the level of trust they have in the fair behavior of Germany's major companies, $F(5, 238) = 1.07$, $p = .38$, nor differences in their confidence in the fair behavior of their fellow citizens, $\chi^2(5, N = 244) = 2.83$, $p = .73$.[55] That is, all groups started off with the same fairness baseline. In addition, all groups display the same level of social desirability, $F(5, 238) = .34$, $p = .89$.

Awareness Check. None of the answers to the open question at the end of the present study referred to the actual goal of the experiment. That is, none of the respondents assumed that the type of company presentation (e.g., as a friend) might have influenced the evaluation of differential customer treatment: 49% of the respondents ($n = 121$) made extremely general comments, such as "the study was about marketing / service / consumer behavior / advertising / attitudes" and the like. 16% of the respondents ($n = 39$) noted that they had "no idea" or that they "don't know." 5% of the participants ($n = 12$) wrote that the study was about customer classification and prioritization—yet, without linking this part to the company's self-presentation in the beginning of the study. The remaining comments were very mixed, 7% ($n = 16$) exclusively referring to the study itself ("it was easy to understand"), and the rest (23%; $n = 56$) pointing either to details of the socio-demographic questions (e.g., "how I vote") or being digressing (e.g., making 'smileys'). In sum, the link between the prime and the dependent variables was not evident for any of the respondents.

Manipulation Check. A MANOVA with the scales *amicable*, *businesslike*, and *honest* as dependent variables shows a significant multivariate effect, Wilk's Lambda: $F(6, 478) = 9.56$, $p < .001$, $\eta^2 = .11$. The univariate analyses show that participants in the friend-condition perceive the company's self-presentation as significantly more amicable than participants in the business partner-condition and in the control group, $F(2, 241) = 16.01$, $p < .001$, $\eta^2 = .12$

[55] Overall, the answer pattern also corresponds to the frequencies reported in Chapter 3.2: 49% of the complete sample consider their fellow men fair, and 17% express great confidence in the country's major companies.

(means and Bonferroni post hoc tests are displayed in Table 19). Participants in the business partner-condition perceive the company's self-presentation as significantly more businesslike than participants in the friend-condition, $F(2, 241) = 6.56$, $p = .002$, $\eta^2 = .05$ (see Table 19 for details). Hence, overall, the manipulation of the company's self-presentation shows the intended effect. As a further control variable, the perceived honesty of the service provider's self-presentation has been assessed. Analyses show that participants in the friend-condition consider the service provider significantly more honest than participants in the business partner-condition, $F(2, 241) = 4.43$, $p = .01$, $\eta^2 = .04$ (see Table 19 for details).

Table 19 *Manipulation Check: Descriptive Statistics and Post Hoc Tests*

Group	Amicable		Businesslike		Honest	
	M (*SD*)	Bonferroni	*M* (*SD*)	Bonferroni	*M* (*SD*)	Bonferroni
Friend (F) (*n* = 77)	3.42 (.75)	F > B (*p* < .001)	3.69 (.65)	F < B (*p* = .001)	2.84 (.87)	F > B (*p* = .01)
Business (B) (*n* = 83)	2.79 (.72)	B = C (*p* = .93)	4.10 (.56)	B = C (*p* = .10)	2.46 (.79)	B = C (*p* = .39)
Control (C) (*n* = 84)	2.91 (.77)	C < F (*p* < .001)	3.85 (.76)	C = F (*p* = .39)	2.65 (.80)	C = F (*p* = .41)

Note. *M* = mean; *SD* = standard deviation. Analysis was performed using SPSS/PASW 18 GLM; all scales range from 1 to 5, with larger values indicating a higher level of the respective attribute. Post hoc tests have been chosen instead of planned comparisons because the manipulation check is rather a 'post-hoc check' and not based on specific hypotheses. Bonferroni was selected as post hoc test (see Chapter 4.3.3). Tukey's HSD test was also computed and yielded the same results (for more information on Tukey's HSD test, see Field, 2009). Box's *M* test of equality of covariance matrices is not significant ($p = .09$). Levené tests of equality of error variances are not significant as well (see also Chapter 4.3.3).

Test of Hypotheses. The first hypothesis (H1) refers to consumers' expectations of differential customer treatment—in reaction to a service provider's self-presentation. This hypothesis was tested within a MANOVA with the scales *unexpected* and *unfair* as dependent variables. Although the multivariate test statistic shows a borderline *p* value, Wilk's Lamdba: $F(4, 480) = 2.31$, $p = .057$, $\eta^2 = .02$, the univariate test is significant, indicating that the type of self-presentation impacts respondents' expectations differently, $F(2, 241) = 3.26$, $p = .04$, $\eta^2 = .03$. Planned comparisons (i.e., contrasts) reveal, in accord with hypothesis H1a, that respondents in the friend-condition expect differential customer treatment to a lesser extent than respondents in the business partner-condition ($M_{friend} = 2.85$ $SD_{friend} = 1.09$; $M_{business} = 2.49$, $SD_{business}$

= 1.18), $t(241) = 2.01$, $p = .045$. In addition, consistent with hypothesis H1b, respondents in the friend-condition expect differential customer treatment to a lesser extent than respondents in the control group ($M_{friend} = 2.85$ $SD_{friend} = 1.09$; $M_{control} = 2.42$; $SD_{control} = 1.16$), $t(241) = 2.40$, $p = .02$.[56] Moreover, additional post hoc analyses—using the Student-Newman-Keuls (SNK) procedure that controls the alpha-rate for $k = 3$ groups and has a greater test power than Tukey's approach (Ramsey, 1978)—show that participants exposed to the business partner-presentation and participants in the control group together form a homogeneous subset ($p = .70$), whereas participants in the friend-condition compose their own homogeneous subset (also see Figure 16).

Regarding the assumed relation between consumers' expectations and their fairness perceptions of differential customer treatment (H2), regression analyses (for test of assumptions, see Appendix N) show that, overall, consumers' expectations do not significantly predict their fairness perceptions of differential customer treatment ($\beta = .10$, $t(242) = 1.54$, $p = .12$; $R^2 = .01$, $F(1, 242) = 2.38$, $p = .12$). Further analyses on group level reveal, however, that the expectations of respondents in the friend-condition significantly predict their fairness perceptions ($\beta = .23$, $t(75) = 2.04$, $p = .045$; $R^2 = .05$, $F(1, 75) = 4.16$, $p = .045$), whereas no notable predictions are found in the business partner group ($\beta = .11$, $t(81) = .99$, $p = .32$; $R^2 = .01$, $F(1, 81) = .98$, $p = .32$) and in the control group ($\beta = .01$, $t(82) = .05$, $p = .96$; $R^2 = .00$, $F(1, 82) = .002$, $p = .96$).

The service provider's form of self-presentation was not only assumed to affect consumers' expectations, but also their fairness perceptions of differential customer treatment (H3). The MANOVA results show, however, that respondents of the different experimental groups do not differ in the mean levels of their fairness perceptions ($M_{friend} = 3.78$, $SD_{friend} = .95$; $M_{business} = 3.99$, $SD_{business} = .89$; $M_{control} = 3.85$, $SD_{control} = .92$), $F(2, 241) = 1.08$, $p = .34$, $\eta^2 = .01$ (also see Figure 16).

In addition to the presented group comparisons, it has been suggested that a service provider's self-presentation as a friend may affect existing and potential customers differently (H4).

[56] Planned comparisons must be orthogonal, that is, they should not be overlapping. Thus "the number of possible contrasts is equivalent to the number of degrees of freedom of the treatment groups in the experiment" (Hilton & Armstrong, 2006, p. 35). In the present context, two planned comparisons can be performed, corresponding to Hypothesis H1a and H1b. To further explore the data in terms of possible differences between the "business partner"-group and the control group, post hoc tests have been computed additionally to find homogeneous subsets.

Hence, the customer status information (existing vs. potential customer) was included in the MANOVA. The analysis shows, however, that both the expectation and the fairness perceptions of differential customer treatment do not differ between existing and potential customers exposed to the friend-presentation, Wilk's Lambda $F(2, 74) = .97$, $p = .39$, $\eta^2 = .03$ (expectation: $M_{existing} = 2.83$, $SD_{existing} = 1.03$; $M_{potential} = 2.87$, $SD_{potential} = 1.16$, $F(1, 75) = .02$, $p = .88$, $\eta^2 = .00$; fairness: $M_{existing} = 3.63$, $SD_{existing} = .97$; $M_{potential} = 3.93$, $SD_{potential} = .92$, $F(1, 75) = 1.93$, $p = .17$, $\eta^2 = .03$). Further exploratory analyses also confirm these findings for both the business-partner group and the control group. That is, in the present experiment, there is no statistical interaction between the form of a service provider's self-presentation and the customers' status (potential vs. existing). More details of these additional analyses are presented in Appendix N.

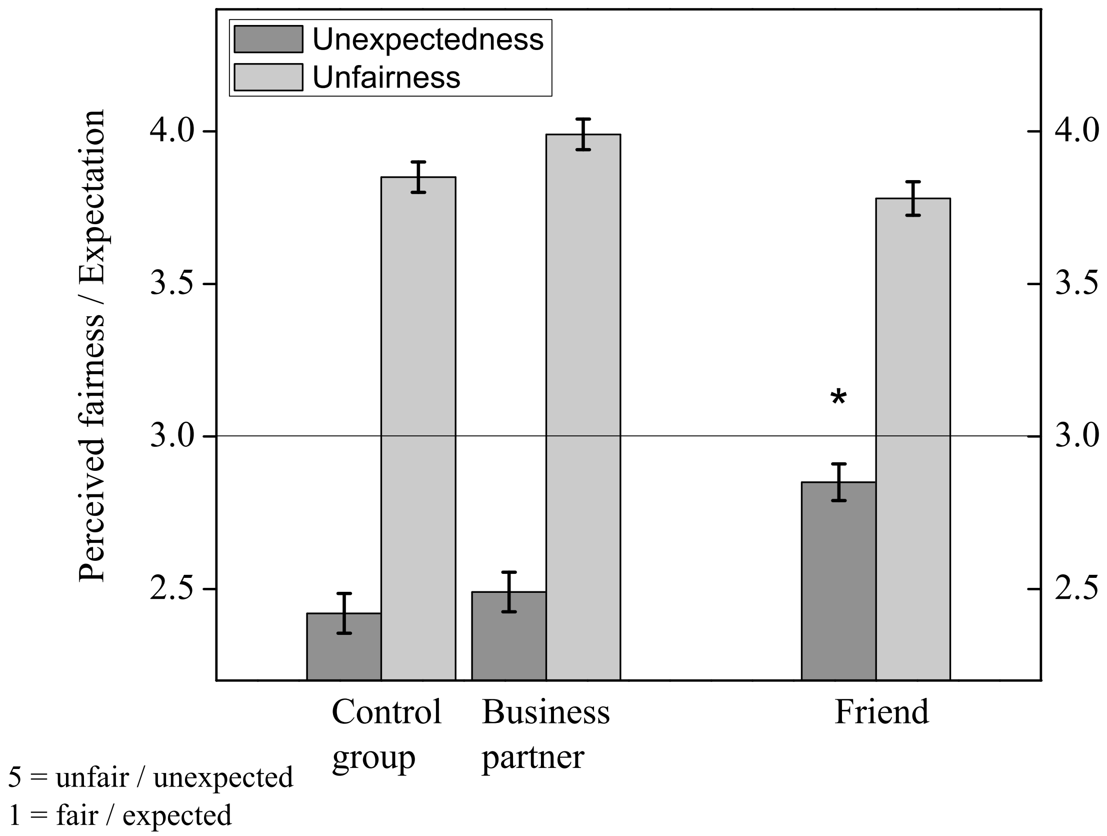

Figure 16. Experiment: Consumers' Expectations and Fairness Perceptions of Differential Customer Treatment in Reaction to Different Forms of a Service Provider's Self-Presentation

**p* < .05 refers to the difference between the friend group and the control/business groups in terms of their expectations of differential customer treatment; 3 = neutral scale mean.

4.3.5 Summary

In sum, the present experiment shows that consumers who are exposed to a service provider's self-presentation as a friend expect differential customer treatment to a lesser extent than consumers who are exposed to a service provider's self-presentation as a business partner or no self-presentation at all. Moreover, consumers' expectation of differential customer treatment predicts their fairness perceptions of this practice only in the group who is exposed to the company presentation as a friend. No link between expectation and fairness is evident in the groups exposed to the business partner presentation or no presentation at all. On average, however, consumers exposed to different forms of a service provider's self-presentation do not differ in their fairness perceptions of differential customer treatment. This approach is considered quite unfair across groups. The evaluation of differential customer treatment is also independent of the customers' status (potential vs. existing).

4.3.6 Discussion

As anticipated, consumers who are addressed in an amicable, cordial fashion, which points to social norms, do not naturally expect customer management strategies that are purely based on market norms—such as differential customer treatment. That is, service providers who decide to address their customers in a friend-like manner need to consider that, by doing so, their customers' expectations will change away from a relationship based on market norms to a business relationship 'enriched' with friendship and amicability.

As indicated in the term *business relationship* above, consumers do not entirely replace market norms with social norms when addressed as a friend. Thus differential customer treatment comes not *completely* unexpected in the consumer group that has been cordially addressed. Moreover—although the manipulation check confirms that consumers exposed to a friend-like presentation perceive the given service provider as relatively amicable and also relatively honest—the service provider is still regarded as more businesslike than amicable *within* the group who read the friend-like presentation (see Table 19). The relatively high rating of the service provider's honesty in the friend group may come as a surprise at first. Why do consumers who are often highly skeptical toward marketing activities (e.g., Bolton et al., 2003) perceive a friend-like self-presentation as relatively honest—and not as an attempt to grease the wheels of business by some ingratiation? At the second glance, however, the relatively high rating of honesty in the friend group points to the effective influence of priming. Hence, it is likely that, by priming the term *friend*, the concept of social norms and its connotations (like honest behavior) are, as desired in the present experiment, temporarily activated.

The manipulation check findings of the control group also deserve some attention because they display the consumers' preset, stereotypical idea of a service provider (or, more specifically, a telecommunications provider). Without a specific self-presentation, consumers perceive telecommunications providers as neutral in terms of amicability, as quite businesslike, and as slightly dishonest. Because the control group lies in between both other groups regarding the evaluation of business orientation and honesty, it may be even advisable for service providers to engage in no specific self-presentation than in a self-presentation as a business partner. The business partner group has received the lowest honesty-ratings, for example. Yet, the size of these differences may be too small for this conclusion.

Contrary to my hypothesis, consumer groups exposed to different types of a service provider's self-presentation do not differ in their fairness perceptions of differential customer treatment. Thus friend-like self-presentations are neither to the service provider's advantage (as the respective service providers may think) nor disadvantage (as I assumed) when market norm strategies are introduced. Taken together, service providers hardly profit from friend-like, cordial self-presentations. Although—as suggested by the manipulation check—self-presentations as a friend are perceived as relatively amicable and honest at first, a friend-like service provider drops back to a common level of perceived unfairness when it comes to the introduction of differential customer treatment. Notably, the mean level(s) of fairness in the presented experiment, referring to the context of telecommunications, correspond well to the German mean level of fairness perceptions in the telecommunications context in both Study 1 and Study 2 of *Project I*.[57] Overall, it can be concluded—following the proverb 'the higher you climb the farther you fall'—that the 'delta' of a service provider's reputation before and after the introduction of differential customer treatment is larger when the provider has built up a friend-like image instead of a business partner image.

[57] *Project I*, Study 1 (German sample, telecommunications): M = 3.88 (SD = .98); *Project I*, Study 2 (German sample, telecommunications): M = 3.72 (SD = .90); *Project II*, Experiment: $M_{Grand\ Mean}$ = 3.88 (SD = .92). In all studies, bipolar 5-point scales were used (1 = *fair* and 5 = *unfair*), as presented in Appendix D and M. On item level, the third fairness item, referring to customer divestment, was considered most unfair in the German samples across all studies.

It is also remarkable that a link between consumers' expectations and their fairness perceptions of differential customer treatment is only evident in the group who read the friend-like self-presentation. Hence, if consumers are led in the 'wrong direction' at first, awaiting a relationship partly based on social norms, their unfairness perceptions are accordingly related. If consumers act on the 'default' assumption of a business relationship, however, differential customer treatment is evaluated as quite unfair, independent of consumers' (relatively strong) expectations of this practice. The findings of the business partner group and the control group imply that some business practices are perceived in such a unanimous way that expectations do not make a difference.

The experimental results also show that the impact of a service provider's self-presentation on the expectation and the fairness perceptions of differential customer treatment is the same for potential and existing customers. This finding may be explained either methodologically or content-wise. Methodologically, it is possible that the experimental conditions—addressing participants as either existing or potential customers as shown in Table 17—lack external validity. A 'real' existing customer with a long-term relationship to a given service provider may react differently than a participant who is told that he *would be* a long-term customer. Still, it can be argued that—since practically all consumers use telecommunications services—it should be fairly easy for participants to put themselves in the position of a long-term or a new telecommunications customer. Content-wise, it is possible that a company's self-presentation conveyed in *mass marketing* communication simply shows no differential effects on existing and potential customers. However, following Prins and Verhoef (2007), who argue that existing customers are more responsive to targeted marketing efforts than to mass marketing, it is supposable that a *targeted* self-presentation, as used in direct marketing, may have a different effect on existing customers than mass marketing.

Finally, it needs to be discussed if the present findings are somewhat dependent on the chosen service industry, telecommunications. This industry was selected because it is among the top advertising spenders in Germany (GWA, 2008; Horizont, 2002) and frequently practices differential customer treatment (e.g., see Appendix E). In terms of the consumers' willingness to engage in relationships with service providers, telecommunications and financial service providers, for example, do not differ markedly (Danaher et al., 2008). Therefore, it is likely that the experiment would have yielded similar results in the financial services context—where self-presentations as friends or family are not unusual, as presented in Appendix L. It is also possible, however, that the financial services context would make a difference because this industry is regarded as somewhat more essential than telecommunications (see Chapter 3.3.4 of the present work). Following the proverb 'correct accounts keep good friends' ('Beim Geld hört die Freundschaft auf'), consumers may be less inclined to believe friend-like presentations—or they may be even less amused if a friend-like company presentation turns out to be hollow rhetoric. As indicated in Chapter 4.3.3, the experimental setup in the context of financial services would also require to disentangle whether consumers react primarily to the behavior of the service provider in general or primarily to the behavior of a particular (long-term) bank counselor.

The following section derives practical and theoretical implications from the presented experimental findings. In addition, several ideas for further related research on the blending of market norms and social norms in marketing are developed.

4.4 Project II: Managerial Implications and Outlook

Project II investigated if and how consumers' expectations and fairness perceptions of differential customer treatment vary depending on a service provider's self-presentation as either a friend or a business partner. In sum, experimental research shows that consumers exposed to a company's presentation as a friend expect differential customer treatment less than consumers who are exposed to a company's self-presentation as a business partner. The mean level of their fairness perceptions of differential customer treatment, however, does not differ.

These findings involve an important managerial implication: Managers need to be aware that consumers' service expectations shift from a business relationship based on market norms to a 'relationship blend' of market norms and social norms when they address consumers like a friend. Thus purely market-based practices are less expected. Moreover, the presented findings show that the less such market-based practices (i.e., differential customer treatment) are expected by consumers exposed to friend-like self-presentations, the more unfair they consider this approach. Hence, if managers plan to introduce differential customer treatment strategies, for example customer divestment, they should not engage in friend-like self-presentations. Although the mean level of consumers' fairness perceptions of differential customer treatment does not differ depending on the company's self-presentations, it is not advisable to raise false expectations and to gamble away the formerly built-up credibility and trust.

From a theoretical perspective, the present project underlines that the distinction between market norms and social norms is not only relevant in the context of existing customer relationships (Aggarwal, 2004), but also in the context of company's self-presentations in mass marketing to potential customers. That is, although business is, per definition, not based on social norms, the investigation of companies blending market and social norms is promising.

Conversely, one of the experts who took part in the qualitative pre-study (see Appendix E) has argued that often consumers, not service providers, are the first ones who mix up social norms and market norms: He pointed out that consumers may not realize that differential customer treatment just means that "somebody is a better customer—but not a better person." Thus the reverse perspective may also be an interesting research approach. In line with this thought, it has been shown that consumers have a tendency (which is, however, encouraged by marketers) to 'anthropomorphize' products and brands (e.g., Aggarwal & McGill, 2007). Hence, it is possible that consumers also endow service providers with human attributes and thus take personal offense at being non-preferred or divested by a service provider.

The present research entails some limitations that should be addressed in future research. Although the internal validity of the presented experiment can be regarded as high, it might lack external validity (as discussed in Chapter 4.3.6). That is, a field experimental approach (Anderson & Simester, 2011) would represent an ideal design to solve this issue.

In addition to this methodological aspect, many further topics would be worth examining in the context of social and market norms in marketing: In the spirit of *Project I*, for example, the research questions of *Project II* could be investigated across countries as well. It has been shown in the United States, for example, that the term *friend* is used as a common, "residual label, … applied to almost all associates for whom no more specific title is available" (Fischer, 1982, p. 305). In Germany, on the contrary, the term *friend* traditionally has a more specific meaning, referring to close and strong relationships. It has been argued, however, that the (social) media may 'dilute' the German friendship concept (for an overview, see Stegbauer, 2010). Given these different meanings of the term *friend*, service providers' self-presentations as a friend may have differential effects on consumers of different countries. It might be speculated that friend-like corporate self-presentations make no impact in the United States. It would be interesting to examine, however, if this is also valid for the term *family*. Since family relationships are usually stronger, slight changes in wording may bring about an effect (i.e., different concepts would be primed).

In terms of further *within*-country effects, the personality variable of *communal* versus *exchange orientation* may be an interesting moderator (Clark et al., 1987; Mills & Clark, 1994). Apart from general principles of communal versus exchange relationships (presented in Chapter 4.1), Clark and colleagues showed that individuals differ in terms of stable, dispositional forms of relationship orientation. The term *communal orientation* captures to which degree individuals care for the welfare of others (and expect others to do the same vice versa), whereas *exchange orientation* captures to which degree individuals keep track of the balance of inputs and outcomes in different forms of relationships (Mills & Clark, 1994).[58] Hence, it is supposable that individuals with a strong communal orientation tend to believe friend-like claims more than individuals who are rather exchange oriented. Likewise—following the idea of Aggarwal and McGill (2007) mentioned above—it is probable that consumers with a high communal orientation have a stronger tendency to anthropomorphize service providers and thus take a service provider's actions (e.g., differential treatment) more personal.

Moreover, future experiments could vary the size of the service provider (small vs. large company) and the form of marketing (mass marketing vs. direct marketing vs. personal service encounter) the consumers are exposed to. In terms of size, it is possible that friend-like self-presentations are regarded as less out of place when companies are small (family-owned) enterprises instead of large, global corporations. Several claims presented in Appendix L, for instance, come from small or middle-sized service providers.

In this context, the corporate image film of the *Allianz Group* represents an interesting, felicitous compromise (Allianz, 2011, see transcript in Table 20). On the one hand, this film comprises a personal address. Thus the global company is given a human dimension beyond fi-

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[58] Sample items of the communal orientation scale are, for example: "When making a decision, I take other people's needs and feelings into account," "I expect people I know to be responsive to my needs and feelings," and, reversed, "People should keep their troubles to themselves." Items that capture a person's exchange orientation include, for instance: "When someone buys me a gift, I try to buy the person as comparable a gift as possible" or "It's best to make sure that things are always kept 'even' between two people in a relationship" (Mills & Clark, 1994, p. 36).

nance. On the other hand, no untenable promises are made—social norms and market norms are explicitly kept apart (see Table 20).

Table 20 *Example: How the Allianz Group Addresses Its Customers*

"… I'm not your neighbor, our kids don't go to the same school. We don't chat over the garden fence or attend the same ballgames. Maybe we've never even met before. Still, I'll come to your rescue in times of need. When your basement is flooded, I will help you clean up. No, I am not your family doctor. I haven't seen you grow from a teenager into a strong adult. Actually, I studied accounting in college. I just can't see blood. Still, when you are sick, I will take care of you. I'm cool. I'm in control. I will see that you will get the best treatment available until you are healthy again. No, I am not your high-school coach, I won't torture you with medicine balls … Still, I'm concerned about your fitness. Especially your financial fitness … *No, I don't claim to be your best buddy. Best friends can call each other up in the middle of the night after a messy break-up. I hope you'll let me sleep. But if you call me about your wishes and worries, and I hope you will, I will take care of anything that affects your insurance or financial needs.* Life is no one-way street anymore. It's all about change and your ability to adapt to it. And I would like to see myself as the one life-long partner for that."

Note. Transcript of image film (Allianz, 2011); emphasis added.

In terms of the form of marketing, either mass marketing or direct marketing, it may be interesting to test if existing customers react less positively to market norm strategies, like differential customer treatment, after they have been addressed as friends in a *targeted*, direct mailing (vs. a mass marketing mailing). When addressing consumers in a friend-like way, it would be also worthwhile to examine if the use of the first name (or the familiar 'Du' in Germany) makes a difference *within* the friend condition. In the context of personal service encounters, it is likely that consumers mix up relationship norms (and take non-preferred treatment personally) if the service employee has been a long-term business partner.

Future experiments could not only vary and compare different forms of marketing, industry sectors, and firm sizes, but also different forms of segmentations. Differential customer treatment, as defined in the present work, is based on customer value segmentations. It would be worthwhile to compare consumers' reactions to value segmentations with consumers' reactions to other forms of segmentations, for example psychographic customer typologies. This would enable marketers to understand if (German) consumers dislike segmentations in general or value segmentations in particular (see Chapter 5 for a further discussion of this topic). To roughly test if consumers perceive value segmentations and psychographic segmentations similarly, I have extended the student pretest (N = 57) of *Project II* (see Chapter 4.3.3). A further group of students (N = 56) was not exposed to a scenario describing the differential customer treatment of a telecommunications provider, but to a scenario describing how a telecommunications provider is segmenting and addressing customers according to their different wants and needs (see Appendix M for the full text). Following each scenario, participants were asked if they perceive the firm's strategy as either a loss or a gain for customers in general (two 5-point, bipolar items were used: 1 = *gain* and 5 = *loss*; 1 = *plus* and 5 = *minus*; the items were aggregated into a scale because they correlate r = .79 and r = .89, respectively, in the two groups). Analyses show that consumers perceive the psychographic segmentation rather as a gain (M = 2.48, SD = .89), whereas the profitability segmentation (i.e., differential customer treatment) is considered rather a loss (M = 3.38, SD = 1.00), $F(1, 111) = 25.34$, $p < .001$. In addition, the perceived fairness of both approaches was evaluated (three 5-point, bipolar items were used: 1 = *fair* and 5 = *unfair*, see Chapter 4.3.3). Again, analyses reveal that consumers consider the psychographic segmentation more fair (M = 2.45, SD = .82) than the profitability segmentation (M = 3.21, SD = .92), $F(1, 111) = 21.46$, $p < .001$. Overall, this pretest indicates that consumers do not oppose segmentations per se, but rather segmentations based on their monetary value for a given firm. However, future research is needed to corroborate this preliminary finding.

The following chapter summarizes central conclusions of the present dissertation and discusses the idea of differential customer treatment on a more general level. Moreover, further research ideas beyond the consumer perspective are developed. Finally, the ideas presented separately in *Project I* and *Project II* are combined in an integrative conceptual framework of differential customer treatment.

5 Conclusions and General Discussion

Since differential customer treatment—the preferential treatment of highly profitable customers at one extreme and the termination of service to persistently unprofitable customers at the other extreme—is increasingly implemented by international service firms, an analysis of the consumer perspective is long overdue. This thesis has thus not only developed a new conceptualization of differential customer treatment (Chapter 2), but has also pursued two empirical projects to capture different facets of the consumer perspective (Chapters 3 and 4; also see Appendix O). The conclusions of these projects are summarized in the following section. Subsequently, differential customer treatment is discussed on a more abstract level. Finally, recommendations for further research are proposed.

5.1 Conclusions

With the rise of relationship marketing, the general validity of truisms such as *the customer is king* or *the customer is always right* has been effaced. As a consequence of technological advancements and elaborate profitability analyses, some customers are *more equal* than others (Nunes & Johnson, 2001). From a pure business perspective, it seems to be self-evident that customers who account for a large share of a service provider's profits should receive different, better services than customers who turn out to be unprofitable. Yet, there are many voices, from marketing researchers (e.g., Hansen, 2000) to journalists (e.g., Brady, 2000), who criticize this approach, particularly from the consumers' point of view. Taking this criticism as a starting point, this dissertation has investigated the consumer perspective on differential customer treatment in two empirical projects.

Several research questions have been raised in the introduction of the present work (see Figure 1). On the basis of the empirical work presented, they can be answered as follows: US consumers and German consumers perceive differential customer treatment differently—US consumers regard this strategy as less unfair than German consumers in the context of telecommunications, banking, and air travel, but not in medical services. In medical services, differential treatment is unanimously looked upon as unfair. Within both countries, consumers tend to accept differential customer treatment most easily in the airline context. Overall, German consumers are—in contrast to US consumers—particularly strong opponents of customer divestment. Further analyses also suggest that female consumers are slightly more critical of differential customer treatment than male consumers within both countries.

Consumers' idea of distributive justice—both US and German consumers favor a balance between equity and equality—predicts their fairness perceptions of differential customer treatment in both countries. Country differences, however, are explained by consumers' economic locus of control beliefs. German consumers are generally much less convinced than US consumers that economic success is contingent upon effort. This belief affects fairness perceptions of differential customer treatment in Germany, but not in the United States. Put more simply, differential customer treatment is regarded as fair in the United States if the preferred customer pays more to the service provider than the non-preferred customer. In Germany, differential customer treatment is regarded as fair if the preferred customer pays more *and* if this 'surplus' is looked upon as well earned.

In terms of consumers' intended reactions to differential customer treatment, the present work suggests that German consumers react more extremely than US consumers. That is, German consumers report reacting more negatively when non-preferred and, regardless of their unfairness concerns, more positively when preferred. Within both countries, negative reactions to non-preferred treatment are more intense than positive reactions to preferred treatment, which can be explained by the principle of *loss aversion*.

In addition to the focus on country differences, the present work has also examined how service providers' self-presentations affect consumers' service expectations and fairness perceptions of differential customer treatment. Overall, relationship norms appear to influence consumers' stance on differential treatment. An experiment in the telecommunications context shows that consumers who are exposed to a service provider's self-presentation as the consumers' friend (pointing to social norms) expect differential customer treatment to a lesser extent than consumers who are exposed to a service provider's self-presentation as the consumers' business partner (pointing to market norms). Moreover, the lesser the cordially addressed consumers expect differential treatment, the more unfair they perceive this approach. This association is not evident in consumer groups who are addressed in a more businesslike manner. On average, however, consumers do not differ in their overall fairness perceptions of differential customer treatment: The level of perceived unfairness of differential customer treatment is quite high, independent of the service provider's self-presentation as a friend or as a business partner. This finding is also independent of the customer being a potential or an existing client. That is, although a cordial, friend-like self-presentation leads to a certain credit in consumers' minds at first, this credit is lost when it comes to the implementation of differential customer treatment.

In conclusion, the present work reveals—with regard to the overarching research question on consumers' fairness perceptions (see Figure 1)—that many consumers are not cool-headed when it comes to differential customer treatment. Still, service providers should not completely refrain from this practice. As pointed out in the managerial implications sections (see Chapters 3.5 and 4.4), several country-, industry-, and communication-specific actions are applicable to prevent (the reproach of) unfairness when implementing differential customer treatment. In brief, it is advisable for service providers to refrain from differential treatment in medical services in both the United States and Germany and to generally abstain from customer divestment in Germany. If some customers receive preferential treatment in the German market, it is also advisable to emphasize that this treatment is well deserved. Moreover, service providers should go without friend-like self-presentations if they plan or employ differential customer treatment. Although practitioners may regard fairness as a subordinate goal when compared to their targets for growth and profit, this thesis makes a case for considering consumers' fairness perceptions for two reasons. Firstly, service providers are reliant upon well-functioning customer-firm relationships—that can be severely disrupted when consumers feel treated unfairly. Secondly and more generally, mutual fairness can be viewed as a societal goal to which businesses should contribute, be it for intrinsic or instrumental reasons.

From a theoretical perspective, the present work underscores the importance of consumers' understanding and rationale of distributive justice as well as consumers' responsiveness to different relationship norms in the context of differential customer treatment. In terms of fairness theories, this thesis has built on the principles of distributive justice (i.e., equity vs. equality) as well as on equity theory (see Chapter 3.1). It has also followed the notion that fairness judgments are frequently based on the responsibility for outcomes that is ascribed to individuals (i.e., attribution theory comes into play, see Chapter 3.4). One the one hand, this research shows that consumers' idea and rationale of distributive justice is indeed pivotal. On the other hand, several theoretical links deserve further research attention. It would be important to understand, for example, if consumers' referent others in input-outcome comparisons are fellow consumers (see Chapter 3.1) or service providers (see Chapter 3.3.4). It is also possible that consumers compare their input-outcome ratio with their own input-outcome ratio from a different point in time. Apart from a closer investigation of equity theory, the principle of loss aversion (i.e., prospect theory) would be also worth examining—because consumers' fairness perceptions and reaction intentions seem to be highly sensitive in terms of losses (see Chapter 3.3.4).

In terms of relationship theories, this thesis has built on the distinction between social and market norms. It provides further support for the idea that relationship norms are not only applicable in social relationships, but also in relationships between service providers/brands and consumers. Many details are still open to future research, however (see Chapter 4.4). The blending of social and market norms would be worth examining in different industries, using different forms of marketing, and different company sizes, for example.

As summarized above, this thesis provides three contributions (also see Figure 1). At first, the meaning of differential customer treatment has been defined and specified in detail. Apart from this conceptualization, differential customer treatment has been investigated from the consumers' (fairness) perspective, which has led to both managerial and theoretical implications. Because fairness is a highly comprehensive, wide-ranging concept (Finkel, 2000), the following section develops further ideas—going beyond the business context—that may be also relevant for consumers' fairness perceptions of differential customer treatment.

5.2 General Discussion and Outlook

Overall, this thesis shows that consumers do not shrug off differential customer treatment as harmless. On a very general level, consumers' reactions to differential customer treatment may point to a more fundamental underlying issue: Could it be possible that citizens in modern, Western countries like the United States and Germany are somewhat tired of being classified according to their performance in all areas of life, from the cradle to the grave?

Many classifications and comparisons are common: Parents compare the accomplishments of their toddlers, teachers and professors assign marks to students, employers assess the performance of their applicants and employees, and so forth. So far, so good, so well accepted—

but maybe people are not prepared to accept further involuntary, unnecessary, or far-reaching classifications?

Some classifications may be regarded as necessary, for example tax brackets. Others are voluntary and can be easily evaded: If a dating website tells potential users that they are “too ugly to sign up” or dismisses members who gained too much weight (see BBC, 2010, on BeautifulPeople.com), one can simply not apply for membership, for example.

In many business contexts, however, consumers cannot influence how they are grouped and classified by a multitude of companies. If somebody has happened to move several times in the past years and, beyond that, his or her current neighborhood is not characterized by the best payment morale, his or her own creditworthiness will suffer due to *geo scoring* (Rinsche, Bülles, & Osterhaus, 2008; Schaar, 2007), for instance. Maybe consumers just do not like to think of the possibility that their telecommunications provider, their bank, their (health) insurance, their mail order company, and their airline—maybe even their physician—*classifies* them into A, B, C, and D segments, according to their *monetary value* for the respective enterprise.

Recent news (Reißmann, 2010) even indicates that consumers do not only dislike *value* classifications, but possibly *classifications per se*. In this news, a German bank was accused of segmenting customers psychographically according to their wants and needs. Consumerists criticized the bank for using psychographic segmentations to manipulate customers. For marketers, this comes as a surprise because not only socio-demographic segmentations, but also psychographic segmentations are in fact classical and widespread marketing strategies (Kotler, Armstrong, Saunders, & Wong, 2007). Although the student pretest presented in Chapter 4.4 indicates that psychographic segmentations are generally looked upon as fair and helpful for customers, future research should extend this comparison of value segmentations and psychographic segmentations.

From a social-psychological perspective, the dislike toward classifications per se could be a form of *categorization threat*—a resistance to “being categorized against one’s will” (Branscombe, Ellemers, Spears, & Doosje, 1999, p. 36). The authors argue that any form of (social) categorization affects individuals’ self-esteem. Applied to the context of differential customer treatment, it is possible that consumers want to be in control of how they are treated (this can be also regarded as an aspect of procedural justice, as mentioned in Chapter 3.5).

Apart from a possible averseness to *value classifications* or even *classifications per se*, a further highly general aspect may be crucial when considering consumers' perceptions of differential customer treatment—their attitude toward *profit-seeking per se*. Although this aspect is implicitly included in the idea that consumers have different preferences for the principles of equity versus equality, it has not been explicitly addressed in the present studies.

It has been mentioned earlier (see Chapter 2.3.5) that consumers generally tend to believe that price increases are immoderate, although they think that firms are entitled to make a certain profit. Similar to price increases, consumers may regard differential customer treatment as an aggressive and inappropriate form of profit-maximization. US consumers may be less indignant over this practice than German consumers due to the classic US emphasis on "more market freedom" (Lipset, 1996, p. 54). In this context, Fiss and Zajac (2004) point out that Anglo-Americans' rather endorse the principle of shareholder value maximization as the purpose of corporations,[59] whereas many Europeans favor the idea that corporations should serve many stakeholders, including customers, employees, and the society at large. Against this background, differential customer treatment may be rather taken for granted in the United States, but not in Germany. In line with this idea, Limmer's qualitative interview study on differential customer treatment (2011; see Chapter 3.3.4) shows that US consumers are more inclined than German consumers to take the service provider's perspective and to point out that we are living in a free market. Aside from corporate profit-seeking, individuals may be averse to 'profit-seeking' in social relationships. That is, they possibly dislike calculative, means-end oriented friendliness in general and may transfer this disapproval from the social world to the world of business (see Figure 17 for a summary of the aspects discussed thus far).

Although consumers seem to be skeptical of profitability segmentations and the accordingly differential treatment of customers, the paragraphs above only represent one perspective. The empirical research of this dissertation has also shown a further perspective. It has been revealed, for example, that consumers generally like to be preferred themselves and that they value not equality (of outcome), but a balance between equity and equality. Hence, it has been concluded that service providers (except for medical service providers) should not completely

[59] See also Friedman's classic claim (1970) that business has the *social* responsibility to increase profits.

refrain from differential customer treatment. In line with this conclusion, other authors have shown that consumers have a fine sense of status and are motivated to feel superior (Drèze & Nunes, 2009). A once endowed customer status, for example, can be so precious for consumers that they purchase extra to keep this status (Reed, 2005). It would be interesting to disentangle in further research if customers like preferred treatment primarily because of its convenience and comfort—or because of the high(er) status that is communicated to others.

More fundamental, underlying reasons—*beyond business*—for skepticism toward customer value analyses and differential customer treatment?

Possible averseness toward …

… *classifications per se*?	… *value/performance classifications*?	... *profit-orientation per se*?
Tired of being classified and categorized ('categorization threat') in all areas of life, from the cradle to the grave?	Tired of the pervasive performance principle and social comparisons ('keeping up with the Joneses')?	Tired of calculative, means-end oriented relationships in general (and shareholder value maximization in particular)?

Figure 17. More Fundamental Reasons for Skepticism Toward Differential Treatment?

To obtain an overall picture on the topic of differential customer treatment, considerations on this matter should also go beyond the consumer perspective in future research. If consumers take advantage of new technologies (e.g., the Internet) that enable them to compare prices and spread positive or negative WOM, why shouldn't service providers take advantage of new technologies that allow to track and to compute customer profitability over time? If consumers are getting increasingly demanding—as one of the experts pointed out in the qualitative pre-study of this work (see Appendix E)—why shouldn't service providers *sort the cherries from the lemons* (Gosling, 1999)? Day (2011, p. 183) even goes so far as to say that firms, not consumers, have become the vulnerable party in marketing exchanges. That is, companies are struggling with a highly complex "deluge of data," whereas consumers, armed with electronic equipment to spread negative WOM to a large audience, may cause "disruptive effects." Hence, the view of service providers themselves should also be examined more closely in future work on differential customer treatment. In the following, some ideas and research directions on the service provider's perspective are suggested.

In the aforementioned qualitative pre-study, the interviewed experts remarked, for example, that differential customer treatment is sometimes not in line with a company's philosophy. A consultant shared an instance of a 'democratic' German company that is even opposing any form of segmentation. Similarly, Selden and Colvin (2003) speak of North American companies that shy away from differential customer treatment because they are proud of treating everyone the same. These examples point to the possibility that some organizational cultures stand in an adverse relation to the introduction of differential customer treatment (this is also mentioned by Homburg et al., 2008). *Organizational culture*, however, is hard to capture (e.g., Hofstede, 1997; Schein, 1990; Wilkins & Ouchi, 1983). Following Hofstede (1997, p. 182/3), organizational culture can be defined as "shared perceptions of daily practices." That is, organizational culture consists of the symbols, heroes, and rituals of a given organization. It denotes the typical way of acting and interacting. Furthermore, Hofstede (1997, p. 189) distinguishes between six dimensions of organizational cultures: The dimension *process oriented versus results oriented* "opposes a concern with means … to a concern with goals." The dimension *employee oriented versus job oriented* "opposes a concern for people … to a concern for completing the job." The dimension *parochial versus professional* "opposes units whose employees derive their identity largely from the organization … to units in which people identify with their type of job." The dimension *open system versus closed system* opposes organizations in terms of their openness to new members and outsiders. The dimension *loose control versus tight control* opposes organizations in which "no one thinks of cost, meeting times are only kept approximately, and jokes about the company and the job are frequent" to organizations or units in which everybody is "cost-conscious, meeting times are kept punctually, and jokes … are rare." The last dimension, *normative versus pragmatic*, opposes organizations or units with an emphasis on following correct procedures to organizations or units in which results are more important than correct procedures.

It is probable that differential customer treatment is looked upon as problematic in organizational cultures whose practices can be characterized as *process* and *employee oriented*. Because the emphasis on processes and people may be transferred from the treatment of colleagues to the treatment of customers, it is likely that a highly differentiated treatment of customers is regarded as questionable. Moreover, it is also possible that a *normative* instead of a *pragmatic* focus is associated with more concerns about differential treatment strategies due to the emphasis on correct (e.g., transparent) procedures and high ethical standards.

An organization often comprises not only one single, homogeneous culture. Schein (1996), for example, distinguishes between several organizational groups with their respective subcultures. The management's perspective and culture can be in conflict with the norms and values of other organizational groups. Therefore, it would be also worth investigating possible dissenting opinions of managers and different employee groups, for instance frontline employees, regarding the implementation of differential customer treatment. Do frontline employees receive mixed messages (i.e., *the customer is king* vs. *treat customers differentially*), for example? Do they experience (cognitive) conflicts in the context of differential customer treatment? In many industries, however, such conflicts may not be momentous because employees offer their services *either* to highly profitable customers *or* to 'normal' customers. Flight attendants, for example, are usually working either in the business class or in the economy class on a given flight. Similarly, bank counselors are working either with small savers or in wealth management.

In this chapter as well as in the discussion and outlook sections of both *Project I* and *Project II*, many ideas for future research have been raised. The following, final section strives to link these ideas in an integrative, overarching framework.

5.3 Toward an Integrative Framework of Differential Customer Treatment

The final section of this thesis develops a conceptual framework of differential customer treatment aiming to summarize and to integrate the ideas investigated and discussed in the two separate projects presented. Moreover, it suggests starting points for further research on this topic. In other words, this framework strives to "organize and summarize research findings … the purpose is to provide a clear, simplified perspective on what is known and not known" (Jaworski, 2011, p. 216/217). The proposed framework is illustrated in Figure 18 and will be described in detail in the following, opening with the service provider perspective.

Service provider perspective. The decision of a service provider whether to implement (the full range of) differential treatment measures depends on a variety of factors, which are displayed in Figure 18: As mentioned in Chapters 2.3.1 and 5.2 as well as in the qualitative prestudy (Appendix E), a company's culture may either support or oppose a differentiated treatment of customers. Several authors have noted that shared cultural values are of particular importance in service firms. Because direct supervision of employees is often not possible, a strong belief in the same cultural values provides a sense of cohesiveness (Chatman & Jehn, 1994). A *results* and *job oriented*, *pragmatic* climate (Hofstede, 1997) may foster differential customer treatment, whereas a *process* and *employee oriented*, *normative* philosophy (Hofstede, 1997) may counter this approach. In addition, different organizational groups possibly differ in their stance on differential customer treatment. Management may advocate this strategy, but frontline employees may endorse a more egalitarian approach or may receive contradictory messages (*the customer is always right* vs. *only the best customers get the best treatment*), leading to role stress. Furthermore, intrapersonal conflicts are possible if explicit motives of employees are not in accord with their implicit motives (Kehr, 2004). That is, service employees may be pressured into treating customers differentially and may describe this as their own preference (e.g., because they are accordingly incentivized)—although their latent motives may be discrepant (e.g., service employees with a high implicit affiliation motive may not want to provide less attentive service to less profitable customers).

Apart from potential cultural and intrapersonal conflicts, service providers need to meet several basic requirements to be able to implement differential customer treatment in the first place. As mentioned in Chapter 2 and in the qualitative pre-study, technical problems can arise. That is, customer data need to be gathered and analyzed properly. Thus computational, mathematical, and process-related challenges are involved. These analytical tasks get increasingly complex and difficult—Day (2011), for example, points out that the amount of available data has grown exponentially with time. He exemplifies this using the telecommunications context, where the steeply increasing number of segments, channels, and pricing plans has led to a pace and an amount of data that is hard for organizations to keep up with.

In addition to Day's observation (2011), two interviewees of the qualitative pre-study pointed out that firms sometimes gather but not use their data. One interviewee further remarked—in accordance with the idea that an organization comprises different subcultures—that business engineers who develop customer value models sometimes speak a different language than marketers who (should) apply these models. Likewise, Homburg et al. (2008) place emphasis on the necessary organizational alignment and senior-management involvement to ensure the successful implementation of differential customer treatment.

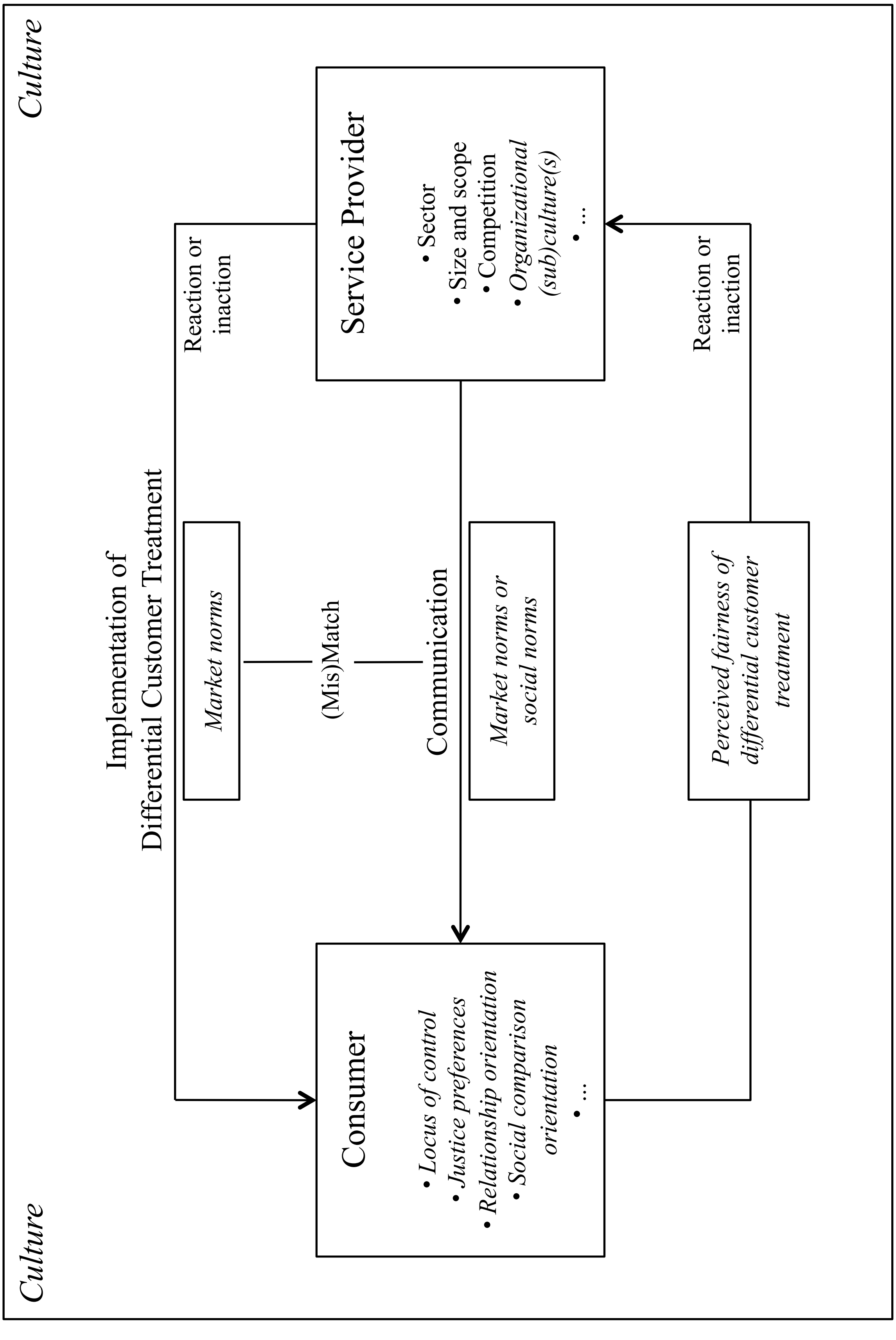

Figure 18. An Integrative Conceptual Framework of Differential Customer Treatment
Latent variables are presented *in italics*.

Besides the cultural and analytical aspects mentioned, Figure 18 indicates further factors of influence, for example the industry sector. In the service sector, it has been shown that organizational cultures differ more strongly across industries than within industries (Chatman & Jehn, 1994). Therefore, differential customer treatment may be more or less easily implemented in different service sectors.

Moreover, the present thesis has shown that consumers perceive differential customer treatment not as similarly fair across industries: Within Germany and the United States, differential treatment was most accepted in the airline context and least accepted in the context of medical services. Future work could extend this research to further sectors (e.g., mail order businesses, rail travel, and hotels), examining both the consumer and the service provider perspective.

The intensity of competitive rivalry in an industry sector could also have an effect on a given service provider: If major competitors successfully apply differential treatment strategies and thereby set a standard, other service providers may need to follow—or, on the contrary, to market themselves as 'the only provider' that treats everybody the same way. In the airline industry, for example, full service network carriers usually differentiate strongly between different customer groups, whereas low cost carriers build on the 'democratic' idea to offer 'no-frills' flights for all passengers alike.

As dealt with in *Project I*, the international scope of a service provider may also influence its differential treatment strategy. This thesis has demonstrated that German consumers are more critical of differential treatment than US consumers. Anecdotal evidence further suggests that Eastern European consumers may be also less critical than German consumers (see Appendix E). Hence—analog to (food) products that are adapted to national or local preferences—service providers may consider adapting their services to consumers' (justice) preferences in different countries (also see Table 14 on managerial Do's and Don'ts in Germany and in the United States).

In addition to the decision of whether or not to implement differential customer treatment, service providers need to decide whether and how to communicate this strategy to their customers in mass marketing, targeted marketing, and also in personal service encounters. In this context, Figure 18 takes up the topic of different relationship norms (Clark & Mills, 1979) that can be addressed by service providers' communication.

As dealt with in *Project II*, differential customer treatment is purely based on market norms. That is, unequal treatment is based on cost-benefit analyses and the give-and-take principle; it is economically motivated. Still, in their communication, service providers may also hint at social norms, presenting themselves as social companions, for instance. Thus a mismatch between service providers' customer management strategy and their communication may occur. This thesis has shown that consumers are responsive to such a mismatch. That is, they expect differential customer treatment to a lesser extent when service providers present themselves as friends and not as mere business partners (see *Project II*). In this context, further experimental research could vary the size of the service provider (e.g., an international corporation vs. a small family enterprise), the industry sector (e.g., telecommunications vs. financial services), and the form of communication (e.g., targeted marketing vs. mass marketing vs. direct service encounters; also see Chapter 4.4).

Consumer perspective. The present thesis has focused on two facets of the consumers' perspective on differential customer treatment. As mentioned in the previous paragraphs, consumers have been shown to differ in their stance on differential customer treatment depending on their cultural background and on the relationship norms addressed in a service provider's communication.

As displayed in Figure 18, consumers' locus of control beliefs (e.g., Furnham, 1986) and their justice preferences partly determine their fairness perceptions of differential customer treatment. This dissertation has revealed that a preference for the principle of equity to the principle of equality in economic exchanges predicts consumers' fairness perceptions of differential customer treatment to a substantial degree. In Germany, consumers' economic locus of control beliefs—that is, their confidence of whether or not individuals can influence their own advancement—also matter. Hence, differential customer treatment is only regarded as fair if it is considered well earned.

In the context of research on consumers' attributions and locus of control beliefs, it would be worthwhile to investigate how consumers explain why service providers implement differential customer treatment. As dealt with in Chapter 3.5, this thesis argues that consumers could attribute differential treatment either to market forces and competition that act on relatively 'passive' service providers; or they could regard the implementation of differential customer treatment as a more or less appropriate form of profit maximization of an 'active' and solely responsible service provider (also see Chapter 5.2).

I have used the general term *justice preferences* in Figure 18 to indicate that not only distributive justice preferences (i.e., a preference for equity or equality) but also procedural and interactional justice preferences may be relevant in the present context (also see Chapter 3.5). That is, consumers probably place different value on privacy, transparency, and politeness. As a consequence, they may not perceive differential customer treatment in the same way. Consumers who attach great importance to transparency, for instance, may react particularly negatively when it comes to light that other customers get faster and better service. These consumers may not oppose differential treatment per se, but the fact that a service provider tries to cloud it.

Apart from locus of control beliefs and justice preferences, Figure 18 suggests further consumer characteristics that may influence their perceptions of differential customer treatment, for example their relationship orientation as well as their social comparison orientation. Socio-demographic characteristics, however, are not mentioned separately in Figure 18 because they are associated with justice preferences (as shown in Chapter 3.4.2; a preference for the equity principle is associated with middle/high income and a relatively high educational level, for instance). Still, research on gender differences may be promising to better explain why women are somewhat more critical of differential customer treatment than men. In general, this thesis has shown that the use of adequately stratified samples is important. Because consumers' justice preferences and evaluations of differential customer treatment are not independent from socio-demographic characteristics (e.g., see Table 9), samples from different countries should be always comparable in terms of gender composition and educational level, for instance.

In Chapter 4.4, this thesis has already mentioned research on stable relationship orientations, namely *communal* and *exchange orientation* (Clark et al., 1987). Applied to the present context, some consumers may be prone to take differential customer treatment and a service provider's communication rather personal, whereas others may expect service providers to act on market principles.

Likewise, consumers may differ in their tendency to engage in social comparisons, which are an inherent element in equity theory (see Chapter 3.1). In terms of this theory, it would be interesting to examine if consumers regard the service provider or their fellow consumers as referent others when comparing input-outcome ratios. Consumers with a strong social comparison orientation (regarding other consumers) may be more envious when others are preferred, for instance. They may be also more pleased about preferred treatment because preferred treatment allows downward social comparisons. It is also possible, however, that consumers who are prone to social comparisons may feel bad or embarrassed when they are preferred and others not (as mentioned by a consumer in the qualitative pre-study in the context of medical services). Hence, consumers' more or less pronounced need for status and superiority may be a further factor that influences consumers' perceptions and reactions.

In terms of consumers' reactions to differential customer treatment, Figure 18 involves two possibilities, action and inaction; similarly, the service provider also has the possibility to react to consumers' actions, for example complaints, or to remain inactive. In *Project I*, I have examined consumers' reaction intentions. In this context, I have discussed that intentions may not be put into action. In the qualitative pre-study, for example, an interviewee has reported that she was angry at her bank, but that she was too 'lazy' to switch providers (yet, she engaged in negative WOM; see Appendix E). Future research could try to distill factors of high predictive value in terms of intentions that are put into action and intentions that come to a standstill in the intention stage.

Such research on consumers' reaction intentions and different forms of reactions could be of high managerial relevance (Jaworski, 2011). Against the background of the rising importance of electronic forms of WOM in social online networks (e.g., Day, 2011), a small consumer effort (i.e., typing a negative comment on non-preferred treatment) could lead to disruptive effects for the service provider. In terms of service providers' reactions to consumers' online activities, for example, Day (2011) points out that firms are currently somewhat unpracticed.

Finally, Figure 18 visualizes that differential customer treatment takes place against the background of culture. *Project I* placed emphasis on Western cultures, the United States and Germany, and their differences in attitudes toward (in)equality. As discussed in Chapter 3.5, future research could extend these findings not only within Western cultures, but also beyond the Western hemisphere.

The present chapter has illustrated that there is no shortage of further highly interesting research topics in the context of differential customer treatment. This dissertation has focused on different facets of the consumer perspective, but both the consumer and the service provider perspective clearly deserve further attention. All in all, this line of research will become increasingly important as more and more service firms are implementing differential customer treatment. Eventually, this research stream could lead to a beneficial situation for *all* parties involved—a situation in which service providers increase their share of profitable customers *and* in which customers perceive their treatment as fair and respectful.

As emphasized in the introduction and in Chapter 3.1, this thesis has adopted a descriptive, positive perspective. That is, I dealt with what consumers think is fair—and derived managerial recommendations that are meant to build well-functioning relationships between service providers and customers. Future work could also discuss differential customer treatment from a normative perspective. From a deontological standpoint, for example, service providers would only act right if they want to be fair for intrinsic reasons. If they abandon the policy of shedding unprofitable customers for instrumental reasons (e.g., to avoid bad press and negative WOM), a deontologist would consider this wrong, even if all parties benefit. From a consequentialist standpoint, however, the service providers' actions could be considered right because of its beneficial consequences. Thus, when service providers follow the recommendations of this thesis, one remaining question goes beyond the scope of this research: Do beneficial outcomes matter more than the motivation that has led to them?

6 Appendix

Appendix A: How Service Firms Deal With Unprofitable Customers

Table A.1 *Differential Customer Treatment: Press Quotes*

Industry, company, and country	Handling of (potentially) unprofitable customers	Source
Financial Services		
HypoVereinsbank (Germany)	"HypoVereinsbank: Thousands of customers are to be frozen out"—Reportedly, the bank aims to sort out 143 000 unprofitable customers. These customers are first transferred to a special department. Then, they are offered either very expensive credits or no further products at all.	(Süddeutsche-Zeitung, 2008)
	"HVB experiences decline in customer numbers … however, this is partly intentional, as the bank no longer wishes to keep unprofitable customers, such as those who have obtained property financing, at any price. HVB says that, in some cases, these customers are no longer offered the best conditions."	(Maier, 2005)
Deutsche Bank (Germany)	"Deutsche Bank: Millionaires preferred"—Well off retail banking customers who trade a lot are to save money due to a decrease in transaction costs, whereas less well off customers will have to pay more due to an increase in consultation fees.	(Manager-magazin, 2000)
BHW (Germany)	"Home loan bank dismisses customers"—Because BHW acted on the assumption of a too optimistic development of interest rates, the contracts of 7000 customers became very costly. The consumer protection association of North Rhine-Westphalia objects.	(Vedix News, 2007)
First Chicago (United States)	"The nation's 10th-largest bank announced a broad-ranging plan yesterday that would charge some customers $3 each time they use a human teller … Only those customers who keep either $2,500 in a checking account or $15,000 in a combination of checking and interest-bearing accounts would continue to have free, unlimited access to tellers."	(Meier, 1995)

(Table A.1 continues)

(Table A.1 continued)

Egg (United Kingdom)	"Egg faces inquiry into cancelled credit cards … Egg, the Internet bank, is to be investigated by the Office of Fair Trading over its decision to cancel more than 160 000 credit cards. The firm has sent letters to around seven per cent of its two million customers warning them that their cards will stop working within 35 days. The bank defended the move … There have been accusations that the Internet bank made the move because the customers did not make it enough money."	(Borland, 2008)
Nationwide (United States)	"Nationwide Insurance Co. is dropping 35.000 homeowner policies in Florida, limiting the number of homes it insures statewide for fear of massive financial losses from future hurricanes … Nationwide used computer modeling to determine which policies will be dropped"—The insurances were dropped in September 2005, in response to Hurricane Katrina.	(Sedore, 2005)
Allstate (United States)	"Allstate, the state's No. 3 insurer, started to shed the first of 95.000 policies it will drop"—Allstate also dropped homeowner policies because Florida is considered a hurricane-prone state.	(Sedore, 2005)
Telecommunications		
Debitel (Germany)	"Debitel turns down unprofitable customers"—Reportedly, Debitel did not offer typical customer retention measures (such as high cell phone subsidies) to low-value customers.	(FTD, 2006)
Arcor (Germany)	"High volume callers likely to be dismissed"—Arcor sent letters to power users (> 2 hours phone calls per day) in which they asked the customers to make fewer calls or to withdraw from the contract (an overseas flat rate for private use).	(Focus, 2008)
1&1 (Germany)	"Power users unwanted"—The Internet provider 1&1 allegedly offered unprofitable power users 100 EUR in case they terminate contracts prematurely.	(Online-kosten.de, 2005)
Sprint Nextel (United States)	"Last summer, Sprint Nextel, a US mobile phone company, got rid of about 1,000 of its high-maintenance and therefore unprofitable customers. Some of them were people who called the company's helpline hundreds of times a month with problems that Sprint believed had been resolved."	(TheTimes, 2008)

(Table A.1 continues)

(Table A.1 continued)

AT&T (United States)	"AT&T recently announced that it is pulling out of the consumer telephone market to focus on its B2B customers … in most cases, some percentage of an organization's customers is responsible for a large percentage of its profits—often all of its profits. And in more than a few cases the response of companies is to 'fire' their unprofitable customers. In AT&T's case, those customers are consumers."	(Selland, 2004)
Retailer		
Best Buy (United States)	"Brad Anderson, chief executive officer of Best Buy Co., is embracing a heretical notion for a retailer. He wants to separate the 'angels' among his 1.5 million daily customers from the 'devils.' Best Buy's angels are customers who boost profits at the consumer-electronics giant ...The devils are its worst customers. Best Buy estimates that as many as 100 million of its 500 million customer visits each year are undesirable ... Mr. Anderson says the new tack is based on a business-school theory that advocates rating customers according to profitability, then dumping the up to 20% that are unprofitable. The financial-services industry has used a variation of that approach for years … This year, Best Buy has rolled out its new angel-devil strategy in about 100 of its 670 stores. It is examining sales records and demographic data and sleuthing through computer databases to identify good and bad customers … To deter the undesirables, it is cutting back on promotions and sales tactics that tend to draw them, and culling them from marketing lists ...'Culturally I want to be very careful,' says Mr. Anderson. 'The most dangerous image I can think of is a retailer that wants to fire customers.'"	(McWilliams, 2004)
Health care		
Several private hospitals (United States)	"Two-thirds of the nation's private hospitals that are equipped to take in mentally ill patients dump them on … public hospitals … hospitals discharge mental patients prematurely, either when their health insurance runs out or when the cost of their care exceeds the reimbursement that insurers pay hospitals."	(Kilborn, 1997)
German health care system (Germany)	"Two-tier medicine: … national health patients need to wait three times longer for appointments than privately insured patients."	(Seith, 2008)

Note. I translated the German press for this Table.

Appendix B: Exemplary Premium Services in the US and Europe

Table A.2 *Exemplary Premium Programs of Service Providers in the US and Europe*

Industry	Company & program	Internet link (accessed February 2011)
Telecommunications	*T-Mobile* Diamant	https://www.t-mobile.de/diamant/1,3981,5616-_,00.html
	Vodafone Stars	http://www.vodafone.de/vodafonestars/105007.html
	Sprint Premier	http://premier.sprint.com/
	O2 Premium	http://www.o2online.de/nw/meino2/o2entdecken/premium-public/o2-premium.html
Financial Services	*Postbank* Select	https://select.postbank.de/
	Nordea Premium	http://www.nordea.no/Privat/Kundeprogrammer/Premium/1383942.html
	American Express Centurion	https://www.icenturion.americanexpress.com/prospect/cent/germany/FrontServlet?request_type=Login
	Visa Infinite	http://www.visainfinite.com/
	Mastercard World Signia	
	Deutsche Bank Private Wealth Management	http://www.pwm.db.com/global/de/index_de.html
Travel & Hospitality	*American Airlines* AAdvantage Executive Platinum	http://www.aa.com/i18n/AAdvantage/programDetails/eliteStatus/execPlatinum.jsp
	Lufthansa Hon Circle	http://www.honcircle.com/
	Hilton HHonors Diamond Elite	http://hhonors1.hilton.com/en_US/hh/about/diamond.do
	Starwood Platinum Preferred Guest	http://www.starwoodhotels.com/preferredguest/account/member_benefits/platinum_preferred.html
	Hertz President's Circle	https://www.hertz.com/rentacar/emember/join/overview.do?learnMore=all
	Avis Preferred First	http://www.avis.de/DEAvisPreferred/Avis-Preferred-First
	Deutsche Bahn comfort	http://www.bahn.de/p/view/bahncard/bahncomfort/bahncomfort.shtml

Appendix C: Detailed Sample Characteristics (Project I and Project II)

Table A.3 *Study 1 (Project I): Sample Characteristics*

	Germany	United States
N	271 (98% German citizenship)	260 (99% US citizenship)
Gender	53% women	50% women
Age	Range: 18–65 years *M* = 42.94 (*SD* = 12.83)	Range: 18–65 years *M* = 41.96 (*SD* = 13.61)
Highest completed level of education	15% 9th grade (Hauptschulabschluss) 45% 10th grade (Mittlere Reife) 21% University-entrance diploma 18% University degree 1% PhD	15% less than High School 36% High School diploma 21% 2-year college degree 21% 4-year college degree 5% Master's degree 2% Doctoral degree
Business education	21% very much 44% some 19% little 16% none	17% very much 47% some 25% little 11% none
Occupation	65% working either full or part time 8% homemaker 8% students 9% seeking work 10% other or prefer not to say	43% working either full or part time 15% homemaker 11% students 11% seeking work 20% other or prefer not to say
Household size	Range: 1–6 *M* = 2.40 (*SD* = 1.13)	Range: 1–20 *M* = 3.05 (*SD* = 1.89)
Number of children (< 18 years) in household	Range: 0–3 *M* = .43 (*SD* = .74)	Range: 0–9 *M* = .84 (*SD* = 1.26)
Germany-specific question	26% of the sample grew up in the former German Democratic Republic	

Table A.4 *Study 2 (Project I): Sample Characteristics*

	Germany	United States
N	294 (97% German citizenship)	303 (96% US citizenship)
Gender	48% women	51% women
Age	Range: 18–65 years *M* = 42.0 (*SD* = 13.7)	Range: 18–65 years *M* = 43.1 (*SD* = 12.80)
Highest completed level of education	18% 9th grade (Hauptschulabschluss) 40% 10th grade (Mittlere Reife) 22% University-entrance diploma 19% University degree 1% PhD	13% less than High School 22% High School diploma 17% 2-year college degree 5% 4-year college degree 38% Master's degree 5% Doctoral degree
Business education	21% very much 44% some 22% little 13% none	24% very much 44% some 24% little 8% none
Occupation	46% working either full or part time 9% homemaker 13% students 15% seeking work 17% other or prefer not to say	56% working either full or part time 13% homemaker 4% students 11% seeking work 16% other or prefer not to say
Household size	Range: 1–22 *M* = 2.47 (*SD* = 1.64)	Range: 1–10 *M* = 2.87 (*SD* = 1.46)
Number of children (< 18 years) in household	Range: 0–7 *M* = .42 (*SD* = .84)	Range: 0–4 *M* = .76 (*SD* = 1.05)

Table A.5 *Study 1 (Experiment, Project II): Sample Characteristics*

	Germany
N	244 (96% German citizenship)
Gender	49% women
Age	Range: 19–70 years; *M* = 42.44 (*SD* = 13.68)
Highest completed level of education	1% no completed graduation 18% 9th grade (Hauptschulabschluss) 39% 10th grade (Mittlere Reife) 23% University-entrance diploma 17% University degree 1% PhD 1% Habilitation
Business education	26% very much 39% some 22% little 13% none
Occupation	61% working either full or part time 8% homemaker 9% students 8% seeking work 14% other or prefer not to say
Household size	Range: 1–20; *M* = 2.49 (*SD* = 1.59)
Number of children (< 18 years) in household	Range: 0–4; *M* = .43 (*SD* = .82)
Member in al least one online social network (this variable was not used in the presented analyses)	34% yes, active member 34% yes, but not very active 32% no member

Appendix D: Vignettes and Items (Project I)

In the introduction to both Study 1 and Study 2, the expressions *profitable customers* and *unprofitable customers* were explained to the participants (as 'profit-generating' and 'loss-generating' customers, respectively). In Study 1 (within-design), participants were told that they will be asked to evaluate *four* industry scenarios (for the use of scenarios see Auspurg, Hinz, & Liebig, 2009), followed by additional questions. In Study 2 (between-design), participants were told that they will be asked to evaluate *one* industry scenario, followed by additional questions. Personal socio-demographic questions (e.g., on income and political preferences) were not mandatory, and anonymity was ensured. Study 1 was conducted from January to March 2010; Study 2 was conducted from June to July 2010. On average, participants needed 21 minutes to complete Study 1 and 12 minutes to complete Study 2. In both studies, participants were encouraged to write down open comments at the end of the survey, and my personal E-mail contact was provided for potential queries.

In the following, the four industry vignettes/scenarios and fairness items used in both Study 1 and Study 2 will be presented, followed by the *equity preference* items and information on further assessed information (including the *economic locus of control* items used in Study 2). The practices described in the four scenarios follow information drawn from the press (e.g., the fair-use clause of *One*, see Wolschann, 2007) and from the qualitative pre-study. For a press overview, see Appendix A; for the pre-study, see Appendix E.

Telecommunications scenario:
A telecommunications company offers its customers diverse products and services relating to Internet, landline, and cell phones at prices that are common in this market (not too cheap, not too expensive). Among the offers are flat rates—that is, fixed monthly payments for unlimited use of telephone and/or Internet services.
The general terms and conditions of these flat rate contracts include a so-called 'fair use'-clause. This clause states without further specifications that the customer should use the flat rate to a fair extent. If customers overuse the flat rates beyond an expectable level and thus become unprofitable for the company, the company reserves its right to cancel the contracts—that is, to dismiss some of its own customers.
Customers who turn out to be 'bad' customers (i.e., hardly profitable or even unprofitable) in terms of their cell phone usage (e.g., because they only use free text messaging and do not make calls) do not receive customary benefits at the end of their contract (e.g., no new cell phone).
For customers with a prepaid card, the company has introduced a minimum turnover. Prepaid customers who do not use their SIM card (outgoing calls or text messages) over a certain period have to pay a fee.

The described company, however, also tries to strengthen the ties with its best, most profitable customers. For the best customers, the company has introduced a special hotline to minimize their waiting time. At the end of their contract, these customers are offered various special offers (e.g., a new cell phone, more free text messages) to keep them as customers.
By applying the described measures, the company hopes to be able to keep up with its competitors.

Banking scenario:
A large bank that also sells insurances suffers from a problem that concerns many other banks as well. From its retail banking customers, only 30% are profitable, the other 70% are either break-even or unprofitable. To increase the percentage of profitable customers, the bank has introduced a number of measures: Hardly profitable and unprofitable customers have to use self-service channels (e.g., online-banking, telephone-banking, ATMs). Advice from a bank counselor or help of a clerk requires an extra fee for them. In addition, these customers are not offered special new products (like credit cards with new services) or extra rates. Existing products/contracts are offered under less attractive conditions when the contract expires. Some unprofitable customers may be transferred to a subsidiary company. Heavily indebted consumers who want to open a checking account are rejected.
Profitable customers, on the contrary, can select their favorite channel. Advice from a bank counselor is free of charge. Furthermore, it is left to the counselor's discretion to delight good customers every now and then by granting special rates and discounts to commit these customers to the bank.
By means of the presented steps, the bank hopes to be able to keep up with its competitors.

Airline scenario:
The described airline depends on its business travelers to make profit. Tickets in the business or first class cost approximately three or four times more than tickets in the economy class. The airline has developed several measures to particularly satisfy the travelers in the business and first class: In case of overbooked flights, ‘good’ customers are more likely to find a seat available than ‘bad’ customers. In addition, compared to the economy class, the legroom in the business and first class is larger, the menu better, the service more attentive, and the entertainment options more diverse. Moreover, the check-in is faster, and more hand luggage is allowed. The airline also ‘surprises’ its best customers every now and then with special courtesies (small presents, gift certificates etc.). At the moment, the airline is considering to offer business class only flights on certain routes (like an all-business airline on certain routes).
By means of the presented steps, the airline hopes to be able to keep up with its competitors.

Medical practice scenario:
A physician (general practitioner) with his own medical practice prefers some patients to others according to the quality of their insurance. Because uninsured and underinsured patients as well as high-cost Medicaid patients often turn out to be unprofitable, he wants to concentrate more strongly on his profitable patients. For his profitable patients, he has introduced several measures: The waiting time for an appointment is shorter, he has furnished an extra waiting room for them, and he makes longer time for these patients in terms of treatment, therapies, and conversations. In rare cases, he may choose to reject the treatment of unprofitable (uninsured or underinsured) patients. However, in cases of emergency, all patients—regardless of their insurance situation—can immediately come to his practice.

After each scenario, participants were asked to evaluate how fair they perceive the presented differential treatment practices and how they would react when either preferred or non-preferred by this respective service provider. (The items on customer divestment varied a bit in wording depending on the scenario, see below):

Fairness items following each scenario:

1. The presented *(insert service provider from respective scenario)* treats its best (profitable) customers preferentially. I consider this:

Fair	☐	☐	☐	☐	☐	Unfair

2. The presented *(insert service provider from respective scenario)* treats its 'bad' customers (e.g., hardly profitable customers) somewhat inferior to its 'good' customers. I consider this:

Fair	☐	☐	☐	☐	☐	Unfair

3. The telecommunications company wants to dismiss some of its 'bad' (unprofitable) customers. I consider this:

3. The bank wants to dismiss some of its 'bad' (unprofitable) customers. I consider this:

3. If this airline offers only business class on some routes, I consider this:

3. The medical practitioner considers rejecting the treatment of some unprofitable patients. I perceive such a refusal as:

Fair	☐	☐	☐	☐	☐	Unfair

Reaction intention items (Study 1) following each scenario:

1. If I realize that this *(insert service provider from respective scenario)* intentionally treats me worse than other, more profitable customers *('patients' used in the medical scenario)*, I will:

Get very angry	☐	☐	☐	☐	☐	Be very pleased
Advise others against this *(insert resp. provider)*	☐	☐	☐	☐	☐	Recommend this *(insert resp. provider)* to others
Switch *(insert resp. provider)*	☐	☐	☐	☐	☐	Stay a loyal customer

2. If I realize that this *(insert service provider from respective scenario)* intentionally treats me better than other, less profitable customers *('patients' used in the medical scenario)*, I will:

Get very angry	☐	☐	☐	☐	☐	Be very pleased
Advise others against this *(insert resp. provider)*	☐	☐	☐	☐	☐	Recommend this *(insert resp. provider)* to others
Switch *(insert resp. provider)*	☐	☐	☐	☐	☐	Stay a loyal customer

Equity preference items (final scale):

1. Please think about all kinds of business relations between companies/service providers and customers. How important are the principles of *equity* ('input and output should be directly proportional') and *equality* ('everybody should receive equal outputs/treatment') in your opinion? Please distribute 100 points amongst these two principles. The principle you like better should receive more points. You can also assign 0 points to a principle.
a) Input and output should be directly proportional—somebody who gives more should receive more: __________
b) Everybody should receive equal outputs/treatment, regardless of the input: __________
Note. Item was used in Study 1 & 2 and transformed into a 5-point-scale for further analyses.

2. In business relations, equal treatment is not possible—it must be the main principle that somebody who pays more receives more than somebody who pays less.
Note. Answers were given on a 5-point scale (1 = *do not agree at all*, 5 = *agree very much*). Item was used in Study 2. (Study 1 used an answer format from 1 to 4. The item with the 1–4 format was not included in the final scale.)

3. Please think again of all kinds of business relations between companies/service providers and customers. Please classify your answer between the two opposed statements.
1 = Companies should provide the same service to every customer—regardless of the customers' inputs.
5 = Companies have to provide better services for customers who give/pay more. Equal treatment is <u>not</u> possible.
Note. Item was used in Study 2.

Economic locus of control items (Study 2):

1. Whether or not I get to become wealthy depends mostly on my ability. (Furnham, 1986)

2. Whether or not I am successful depends on my own actions. (slightly adapted following Furnham, 1986)

3. If one works hard enough, one is likely to make a good life for oneself. (Mirels & Garrett, 1971) *Note.* I changed 'he' and 'himself' used in the original into 'one' and 'oneself.'

4. Any one who is able and willing to work hard has a good chance of succeeding. (Mirels & Garrett, 1971) *Note*. I changed 'any man' used in the original into 'any one.'

Note. Answers were given on a five-point scale from 1 = *agree not at all* to 5 = *agree very much.*

Further questions:[60]

- Social desirability (Study 1): 8 (yes/no) items randomly drawn from Crowne and Marlowe (1960) and Stöber (1999).
    - I'm always willing to admit it when I make a mistake.
    - I never make a long trip without checking the safety of my car.
    - I am always courteous, even to people who are disagreeable.
    - I have never been irked when people expressed ideas very different from my own.
    - I like to gossip at times. (reversed)
    - No matter who I'm talking to, I'm always a good listener.
    - There have been occasions when I felt like smashing things. (reversed)
    - There have been occasions when I took advantage of someone. (reversed)

- Socio-demographics (Study 1 and Study 2; also see Tables A.3 and A.4):
    - Screening questions: Gender, age, and highest completed level of education.
    - Additional information: Educational background in business administration or economics (1 = *very much* and 4 = *none*), household size, number of children (< 18 years) in household, household income, citizenship, political attitudes (voting poll), and employment status. In Study 1, German respondents were asked (yes/no) if they grew up in the former GDR.

- Frequency rating of experience with differential customer treatment (preferred and non-preferred treatment) and company examples (Study 1).

- Membership (yes/no) in a loyalty program (Study 1).

- Personality traits pertaining to social comparisons in a consumer behavior context (Study 1): Envy (3 items from Belk, 1985); vanity (8 items from Netemeyer, Burton, & Lichtenstein, 1995).

- Power distance (Study 2; 3 items from Yoo, Donthu, & Lenartowicz, 2001).

- Industry rating—fulfillment of either existential or luxury needs (Study 2):
    - Please decide for this service provider if this provider rather fulfills an existential need or a luxury need. Existential needs are essential, basic needs. Luxury needs are neither essential nor urgent, but their fulfillment makes life 'more beautiful.' (1 = *existential need* and 5 = *luxury need*).

- Single question pertaining to how much one feels affected by the economic/financial crisis 2009/2010 (Study 2):
    - How strongly do you feel personally affected by the current worldwide economic crisis? (1 = *not at all affected* and 5 = *affected very strongly*).

[60] Items that were used in the analyses of the present work are presented in full text. For further items, which were assessed (for exploratory purposes) but not used in the present work, the original source is mentioned.

Appendix E: Qualitative Pre-Study

Problem-centered, semi-structured interviews (Witzel, 2000) were conducted in Germany with both experts ($N = 11$) and consumers ($N = 7$) to gather insights and ideas that might have been neglected—and that might be missing when starting off with quantitative research right away. That is, the present thesis follows the idea of *methodological triangulation* that has been characterized as a combination of different methodological strategies when studying a certain phenomenon (e.g., Jick, 1979). The problem-centered interview was chosen as a suitable method because it allows one-to-one conversations on a predefined topic. The sampling procedure followed the principle of *theoretical sampling* that has been first described by Glaser and Strauss (1967). In the context of the present work, I have purposefully selected consumers who varied in terms of age, gender, educational background, and political attitudes. Referring to the expert interviews, I have contacted interview partners with different forms of professional experience with differential customer treatment.

Expert interviews. The duration of the expert interviews varied between 45 and 90 minutes, depending on the interview partner. Separate interviewing guidelines have been developed (i.e., the questions were adapted to the professional role of the respective expert). More information on the sample can be found in Table A.6.

Consumer interviews. The duration of the consumer interviews varied between 30 and 60 minutes, depending on the interview partner. For the consumer interviews, only one general interviewing guideline has been used (see Table A.8 for questions). More information on the sample can be found in Table A.7.

I conducted the interviews between April 2009 and October 2009. For both the expert and the consumer interviews, the interview format—face-to-face or via telephone—was chosen according to the preferences of the respective interview partner. Anonymity was assured for all interview partners. I recorded a *selective protocol* (Mayring, 2002) of all interviews and prepared postscripts immediately after the interviews as recommended by Witzel (2000).

A short summary of findings is presented first. Subsequently, each interviewee is characterized in more detail.

Table A.6 *Description of Expert Sample*

Interview No.	Profession / position of interview partner	Interview format
1	Manager in an international consulting company	Telephone
2	Manager in a consulting firm that is specialized in analytical CRM	Face-to-face
3	Partner in a consulting firm that is specialized in customer management	Face-to-face
4	Consultant in a consulting firm that is specialized in analytical CRM	Telephone
5	Customer consultant in a cooperative bank	Face-to-face
6	Customer consultant in a private bank (wealth management)	Face-to-face
7	Marketing & Sales expert in an international consulting company	Telephone
8	Insurance specialist at the Federation of German Consumer Organizations	Telephone
9	Manager (CRM) in a large telecommunications company	Telephone
10	Physician with own medical practice	Face-to-face
11	Bouncer in different bars/clubs in Munich	Face-to-face

Note. The experts 1,2,3,4, and 7 are from four different consulting companies.

Table A.7 *Description of Consumer Sample*

Interview No.	Characteristics (gender, age group, political attitude, highest completed level of education, business education)	Interview format
1	Female, middle, affinity for the Green Party, high-school diploma, some business education during vocational training.	Face-to-face
2	Female, young, affinity for the Green Party, university diploma, no formal business education.	Telephone
3	Female, middle, affinity for the Christian Democratic Union, university diploma, no formal business education.	Face-to-face
4	Male, senior, swing voter, PhD, no formal business education.	Face-to-face
5	Female, young, affinity for the Free Democratic Party, university diploma in business administration.	Face-to-face
6	Male, young, affinity for the Free Democratic Party, university diploma in business administration.	Face-to-face
7	Male, middle, affinity for the Christian Democratic Union, PhD, some business education.	Face-to-face

Note. Age: young ≤ 30 years; 30 years < middle < 55 years; senior ≥ 55 years; interview partners 5 and 7 live in the United States.

Summary of findings. The consumer interviews revealed several interesting aspects. Initially, most consumers reported at least one episode of differential customer treatment, most often in the context of banking, telecommunications, mail order, personal transportation, hotels, and medical services. The reaction to non-preferred treatment is frequently described as negative and the reaction to preferred treatment as positive. Several interviewees explicitly take into consideration how other consumers are treated and how much others have paid. They also admit that preferred treatment can be flattering and that "laziness" may lead to staying with a company despite being angry. Regarding the interview partners' attitudes toward equity, equality, and differential customer treatment, it is noticeable that politically liberal interview partners are the strongest advocates of the equity principle and extensive differential customer treatment, whereas politically conservative interview partners support only a mild preferential treatment of the best customers against the background of a good basic service for all other customers. A left-wing interview partner states that she prefers equality to equity and rather dislikes differential customer treatment.

Although the interviewed experts are from different companies and fields, they mentioned several common themes. In sum, the interview partners point out that differential customer treatment is gaining importance in several B2C service industries, such as banking, insurance, telecommunications, and personal transportation. *Lufthansa* is mentioned remarkably often as a successful example. They also emphasize that differential treatment is more established and well accepted in the B2B sector than in B2C. The majority of the interviewees strongly recommend prioritization strategies. Divestment, however, is quite controversial, especially in the opinion of the physician and the customer consultant of the cooperative bank. Further aspects that were brought up by some interviewees pertain to cultural differences in the acceptance of differential treatment—German consumers are considered more critical than US consumers and consumers from Eastern Europe. As possible reasons why some service providers do *not* implement differential treatment strategies, the experts mention seven aspects: Firstly, IT problems (i.e., customer data are not gathered at all or not analyzed properly); secondly, a lack of fit with the company's philosophy (i.e., prioritization does not fit to "democratic" philosophies); thirdly, wrong incentives or mixed messages to frontline employees (i.e., *the customer is king* vs. *not all customers are equal*); fourthly, a lack of service competence of frontline employees (i.e., special skills are needed for differentiating treatment); fifthly, reactance by frontline employees (i.e., unwillingness to treat customers differently, more egalitarian attitude of frontline employees); sixthly, cost concerns of companies (i.e., concerns regarding too high costs of special services for the best customers). Finally, fear of negative press and negative WOM from customers is mentioned (one respondent, however, regards negative press as a "blessing" for the accused company because such a press echo may discourage already unwelcome potential customers).

Following the summary above, the view of each interviewee—first experts, then consumers (see Table A.8)—will be described in more detail below. I translated the German answers into English for the present overview.

Expert interview 1:
"Only the company that prioritizes the best customers will attract the best customers."
Expert 1 has worked as a consultant in a variety of industries. He considers differential customer treatment an important topic in B2B markets *("no longer serving unprofitable B2B customers, that's insolvency prophylaxis"*) and B2C markets as well. With regard to B2C markets, he emphasizes that differential customer treatment is relevant in the banking, insurance, and telecommunications sector: *"Students who download movies all the time, they are unprofitable for the providers. The provider sends them a letter, and they can decide if they want to withdraw from the contract or if they want to renew the contract on other terms and conditions ... In banking, it costs 250 Euro to acquire a new credit card customer. The customer pays 20 Euros fee per year, and the bank also makes money out of the transactions. Still, it takes a while for the bank to break even. It's just logical that the bank thinks it through whether to give out a card or not, for example ... insurances probably have the most sophisticated metrics in terms of differential customer treatment. They have to pay in the event of damage or loss, but then the insurer has the right to cancel the policy."* Against the background of this working experience, he makes clear that he strongly recommends *"to fire"* unprofitable customers. *"Fire the unprofitable customers, prioritize the best customers, but treat the other remaining customers well ... the formula should be: Make it more expensive for bad customers."* However, he also points to the legal situation in Germany, in which some companies have the obligation to contract. As examples, he mentions the *Deutsche Post* and the automobile club ADAC. A further interview question pertained to possible explanations of the implementation gap in terms of customer prioritization. He addresses this issue as follows: *"Maybe it's an IT problem. Companies either do not collect enough customer data, or—if they collected the data—they do not analyze them properly ... Another reason may be a lack of service competence of frontline employees, you need special skills for preferential treatment ... or maybe their incentives are wrong.*" When asked about his experience with differentiated treatment as a customer, he mentions two main advantages of being preferred. Firstly, *"you feel flattered if you can use the nice lounge at the airport, for example"* and secondly, *"it is just practical because it is comfortable and time-saving to be preferred."* Yet, he also cautions against possible negative implications of preferential treatment. *"You become extremely demanding as a customer, you get used to the advantages ... and if you are downgraded somewhere, that's not nice."*

Expert interview 2:
"It just means that somebody is a better customer—not a better person."
Among the projects Expert 2 has worked on as a consultant, he has delved into customer prioritization topics several times. As most prominent examples, he mentions a project in the consumer goods industry (B2B project) and in the telecommunications sector (B2C project). In the consumer goods project, he advised a company of the food and beverage sector to prioritize among its distributors in case of a supply shortfall due to a shortage in raw materials. "*We did an ABC analysis—which distributor should be supplied preferably in case of a shortage? Of course, this question affects the end-consumer indirectly.*" In the telecommunications project, he realized that one and the same company differentiates more strongly in one of its markets in Eastern Europe than in Germany. In this Eastern European market, the wait-

ing time of customers in a branch office of this service provider is linked with the respective customers' status. The customer draws a number, his status is identified during this process, and his waiting time is allocated accordingly. "*We recommended the company to differentiate its services in Germany as well, but the company did not wish to do so, they are quite democratic. They have some sort of customer classification, but there is no 'so what' derived from this classification.*" Apart from his project experience, he considers the topic of differential customer treatment important in the following sectors: "*It's relevant for the travel, transport, and tourism sector. Airlines and hotels differentiate strongly ... I think that this approach of hotels and airlines is well established and accepted ... Differentiation is also a topic for telcos ... Imagine—I am just speculating—that they would prefer contract to prepaid customers in case of a network congestion ... Moreover, I think that the topic is relevant for financial services ... In terms of the classic retail industry, in the high volume business, you can only differentiate via loyalty cards.*" In terms of the cultural issue mentioned above—a company introduces service differentiation in several countries, but not in Germany—he suggests that Germany may be (considered) a country where social envy plays a larger role than in other countries. "*I mean, in the US, for example, people talk about their salary if they have a new job. In Germany, you remain silent.*" In general, he recommends differential customer treatment but emphasizes that every customer should be treated according to his needs and preferences, "*the company offers different services, and the customer selects.*" In this context, he underlines to tell apart that a better customer is not a better person—a matter of course that may be misconceived by opponents of differential treatment. Answering the interview question that pertained to possible explanations of the implementation gap in terms of customer prioritization, he points out that the company and its strategy need to match: "*Every company needs to know and to decide for what it stands and how to deal with its customers ... If a company is democratic, it needs to live this principle. Air Berlin, for instance, is a quite democratic airline. In contrast, Lufthansa differentiates strongly and successfully.*" Asked about the perspective of frontline employees, he notes that "*employees with customer contact but without a good salary may object differential treatment. Perhaps they have a more egalitarian attitude.*" When asked about his experience with differentiated treatment as a customer, he appreciates the convenience and the time saving that come with a Lufthansa Senator status. "*It's not about showing off a high status, it is more about saving time. If you work long hours, an hour saved can be precious.*"

Expert interview 3:
"Bad press because of customer divestment can be a blessing for the accused company—the good customers will come, and the bad customers will stay away."
Expert 3 is a partner in a consulting company that is specialized in customer management. He has worked on a variety of cases concerning customer valuation and customer prioritization. He points out that these topics are *"rising in importance across many sectors ... they are relevant in tourism and transport, they are important for banks, insurances, and telcos. Insurances are especially elaborate here ... customer value is also an important issue in the automobile industry and in retailing. I assume, for example, that Tesco was one of the first companies that has worked successfully with customer value models."* However, he also remarks right away that "*too many customer value projects fail ... Actually, it is the rule that they fail, with some exceptions ... Often, good and complex customer value models are developed, and the software is implemented. But then, firms do not really take advantage of this information ... You know, IT people make these models ... but often, their language is too different from the internal audience that should use these models. Too frequently, they do not fit to marketers, there is a lack of fit between the models and its users."* Discussing further reasons for the implementation gap and failure of customer prioritization, he brings up five

aspects. Firstly, he admits that *"sometimes, the customer value models are lacking predictive quality."* Secondly, he highlights that *"companies think in variables that can be easily measured, they think in costs. But it is not easy to show that it really pays off to pamper the best customers because the pampering also costs."* Thirdly, he argues that some forms of prioritization are not in line with the customers' needs. *"The customer has the possibility to call different hotlines, but he will never call them, and he does not want to call them."* Fourthly, he states that *"sometimes, customer contact employees receive mixed messages ... on the one hand, they learn that every customer is king, but on the other hand, they are told to prefer the best customers."* The fifth aspect also concerns the customer contact employees. He suggests that frontline employees may receive the wrong incentives. As an example, he argues that an insurance salesman who is incentivised to sell as many insurance policies as possible can hardly be incentivised to consider a customer's value at the same time. Against the background of these impediments and his remark that many implementations of customer value models fail, he underscores that, nevertheless, some companies are successful. As successful examples, he lists *"Lufthansa, O2, amazon, Deutsche Bank, Allianz, and Görtz."* Asked about the problem of negative press and negative WOM in reaction to differential customer treatment, he perceives the reaction of the general press as exaggerated. However, he also points out that an overreaction of the press can be a *"blessing for the accused company"* because unwanted customers may be kept away, and desired customers may be attracted by this media coverage. Discussing the customers' reaction, he mentions that he generally perceives German customers as very demanding. In general, he advises companies to be candid about the fact that there are more or less valuable customers. *"As a consultant, if I had to decide between an A client and a C client, I would work for the A client first and explain this to the C client ... but this is B2B, it would be more difficult and delicate in B2C sectors."*

Expert interview 4:
"I am not sad if an unprofitable customer leaves, but I would not initiate this actively."
Expert 4 has worked in the consulting business for two years. Her employer is specialized in the retailing business and in analytical CRM. She strongly advocates customer prioritization and considers it an important strategy for all service providers with long customer relationships. Although she supports customer prioritization, she disapproves of customer divestment: "*I am a strong supporter of service differentiation, but I think that companies should not completely 'drive out' customers ... I mean, I am not sad if an unprofitable customer leaves, but I would not initiate this actively ... But the company needs to make sure that the service for unprofitable customers is really cost-effective. If they call a hotline, for example, they should not get through to a call center agent, only voicemail should be possible for them.*" Asked about the possible (in)transparency of differential treatment in this context, she responds that she considers transparency a delicate issue. "*Sometimes, you certainly need to make preferential treatment invisible for other customers in order to prevent envy. However, there might be cases in which visible service differentiation motivates customers with a lower status to become a customer of a higher status.*" When asked for examples of companies that differentiate successfully from her point of view, she mentions that "*airlines such as Lufthansa differentiate perfectly.*" Asked about possible implementation impediments of a systematic differential customer treatment, she states at first that "*it is generally hard to move companies in new directions.*" She also points out that prioritization strategies may not fit to all company philosophies.

Expert interview 5:

"Profit is not unimportant … but sustainability is an important topic, too."

Expert 5 has been working as a bank employee in a German cooperative bank since eight years. As a customer consultant, he is in direct contact with customers on a daily basis. On the one hand, he states that *"differential customer treatment is an important everyday topic when it comes to credit decisions, for example."* On the other hand, he describes the cooperative bank as a relatively egalitarian financial services provider. That is, although bank employees can refuse credits due to negative SCHUFA entries (on the contrary, they can also give discretionary discounts to loyal customers), the bank is generally known as an institution that never refuses to open a giro account (without overdraft credit) even if a potential customer is overindebted.[61] *"For a cooperative bank, profit is not unimportant of course. But sustainability is an important topic, too ... for private banks, in contrast, profit-maximization is most important ... we are more down-to-earth."* He is a strong supporter of the bank's strategy to be a rather egalitarian bank and reports that *"an unemployed customer can be a highly profitable customer if he recommends us to others, for example."* Because he is convinced of the bank's strategy, he feels untruly accused by press articles that criticize banks in general. When asked to comment on such critical news, he calls these articles a *"Schmarrn* (Bavarian slang for nonsense/rubbish) *that is probably made up by the press."* Asked about the expectations of customers, he notes that *"wealthy customers somehow expect preferred treatment ... an unemployed customer acts differently ... But I am friendly to everybody."* This attitude is also reflected in his behavior as a consumer: *"Preferential treatment may be nice, but it is not important for me ... I would never demand special treatment."*

Expert interview 6:

"If somebody demands special conditions and attractive rates all the time, and we do not make money out of him anymore, I address this directly and frankly."

Expert 6 has been working for a private bank for several years. She first worked in one of the bank's branch offices, now she is working in the bank's wealth management section (retail banking). That is, all of her customers are more or less wealthy. From her working experience in the branch office, she knows that the bank sometimes refuses (overindebted) customers who want to open a giro account (without overdraft credit). Asked if she can confirm the sometimes cited numbers of 30% profitable and 70% non-profitable customers in banking, she responds that "*this may be true for savings banks, but I think that the percentage of profitable customers is higher at private banks."* Although she is now working with wealthy customers only, it still can happen that a customer turns out to be non-profitable for the bank if he or she is extremely demanding in terms of special rates and conditions. She emphasizes that she addresses this issue *"directly and frankly ... I remember this customer, he was a businessman himself, he should understand."* She confirms that she calculates the profitability for all her customers, *"I take the standard product costs into consideration, and the labor costs, of course."* On inquiry, she states that she does not explicitly consider a customer's future potential in her calculation. Yet, she implicitly considers the customers' (reference) potential, stating that *"the salary of a customer may rise ... or a customer is a member of an*

[61] The German Federal Ministry for Family Affairs, Senior Citizens, Women, and Youth defines the term overindebted as follows (2004; own translation): "A private household whose income (less living expenses) does not suffice to repay debts in due time over a longer period although the standard of living has been reduced is defined as overindebted." The Ministry estimates that, in 2002, 8.1% of German households were overindebted. As risk factors, the Ministry lists low income, excessive consumption, divorce, and failed self-employment. Most overindebted consumers have several debtees. Among the affected debtees are, for example, banks (70%), mail order firms (42%), and telecommunication companies (27%). The Ministry emphasizes that a giro account is indispensable for the economic and work-related integration of a citizen.

important family … among my customers, there is a former board member and an actress, for example. They often appear in public, and they have a large social network. It's great if they recommend me, then I do not need to build up trust, the trust is already there." When asked about negative press articles on customer divestment, she replies that *"the press exaggerates … I mean, a normal customer does not need a lot of specialists, but a wealthy customer needs them."*

Expert interview 7:

"In B2B, you know that customers are treated differentially … in B2C … the awareness is lower, and it's less transparent."

Expert 7 has worked in the B2B marketing and sales department of a large manufacturer of hygiene products for several years. Since two years, he is working as a marketing and sales expert in a large strategy consulting firm. Here, he focuses on both B2C and B2B topics alike. In the beginning of the interview, he points out that customer valuation seems to be highly topical in the economic downturn at the moment (i.e., in 2009). In his position, he receives daily requests regarding this issue, for example concerning the telecommunications sector. Comparing the importance of customer valuation and service differentiation in B2B and B2C sectors, he notes that *"in B2B, everybody is aware of the 80/20 rule—that is, 20% of the customers generate 80% of the sales. It's my impression that in B2C, people are less aware of this rule … in B2B, you know that customers are treated differentially. Procurement managers know their bargaining power … the most important customer in B2B can sometimes determine a whole company's success … from my impression, the 80/20 rule and the importance of service differentiation is also valid in B2C, but the awareness is lower, and it's less transparent."* As a positive example of a company that successfully and transparently applies the principles of customer valuation and service differentiation, he mentions *Lufthansa*. In his view, many other B2C companies have passed up opportunities so far. *"I think that too many companies are just reactive, but not active … I called my mobile phone provider, for example, to withdraw from my contract. Then, suddenly, I received so many benefits and discounts that I thought I must have been 'bamboozled' all the past years."* He generally supports the idea of equity—that is, *"customers should be treated according to their sales volume and profitability."* Because of this attitude, he is, as a customer, sometimes surprised how few retailers live this principle. *"I am a regular customer in several stores close to my apartment … but I do not receive better service. I would like the idea of an extra line in my supermarket … but they do not recognize me as a good customer."* Asked about possible implementation impediments of a systematic differential customer treatment, he argues that *"many companies either do not gather enough data, or the do not analyze the data … even if they analyze the data, too many companies remain reactive, they are not active, as I said earlier."* He also notes that, for some companies, it makes sense to treat all customers equally. *"This attitude is closely correlated with the no-frills-idea."* Asked if differential treatment is harder to implement in Germany than in other countries, he replies that *"there would be more negative press in Germany … maybe the negative aspects would be more pronounced than the positive aspects in the beginning. But I think that companies need to explain their strategy, and the prioritization has to be clear and transparent for the customers, then it would work … take the car rental companies Hertz and Sixt, for example. They have fast lanes for better customers, and I think that this is well accepted."* Although he strongly supports the idea of preferential treatment, he is reserved when it comes to customer divestment. *"You should try to develop unprofitable customers into profitable ones."*

Expert interview 8:
"There are certain rules for the insurance salesman which people … are not desired."
Expert 8 is a specialist for insurance topics at the German Federation of Consumer Organizations (vzbv).[62] When asked about possible discrimination or divestment of high-risk customers, he points out first that the topic of divestment is mainly relevant in the property insurances field. Yet, he also mentions that the legal situation has been improved for the insured. *"According to VVG, § 92, both parties—the insurer and the insured—can withdraw from the contract after the occurrence of an insured event ... In the past, the insurer was allowed to keep the overall premium. That is, if the insured event happened in June, and the insured person had already paid for the whole year, the insurer kept the money. Today, this has changed.*" As sort of an exception, he mentions that *"in terms of legal protection insurances, there are special regulations. The insurer cannot terminate the agreement after a single insured event. I think there must be two or three events before they have the right to contract out of the agreement. Yet, there are different opinions about what defines an insured event."* As further special cases, he refers to obligatory insurances such as automobile insurance and health insurance. *"If somebody has private health insurance, paying the standard rate, insurers cannot terminate the relationship, except there was willful deceit on the part of the insured person ... in terms of automobile insurance, insurers try to regulate things with so-called 'Annahmerichtlinien (acceptance regulations).' That is, there are certain rules for the insurance salesman which people and which cars are not desired. The salesman does not get full commission or even no commission in such cases."* He states that, on the one hand, there is a high pressure for insurance companies to sell their products (*"highly competitive market"*). But on the other hand, *"insurance companies need to be careful ... I think that there is a certain lack of understanding on the part of the consumers that it is unlawful to bring a somewhat larger damage to account than the actual damage."* To prevent insurance fraud and high-risk customers, there have been installed several steps in the proposal process. The acceptance regulations mentioned above are a first step. In a second step, insurers can make a so-called *"Versichertenumfrage"* and a *"Vorversicherungsanfrage."* These steps involve a request about the potentially new insured person at his or her former insurer. A third step may involve a request at the so-called HIS (a reference and information system). He characterizes this system as *"something like the SCHUFA for insurances ... insurance fraud and people with extreme numbers of damage events are listed there."* Asked about current developments, he observes *"a tendency to increase the own contribution of the insured in case of the insured event ... this is meant to educate customers ... there is one company where the percentage of own contributions increases with the number of occurrences of insured events."* At the end of the interview, he points out that the insurance sector in Germany has a well-functioning ombudsman-system in case of consumer complaints.

[62] In an internal query to different departments in order to gather instances and problems with regard to discrimination against unprofitable customers, incidents were reported from the telecommunications sector and, primarily, from the financial services sector. In terms of the telecommunications sector, the association criticizes the practice of surcharging customers with prepaid cards—if customers do not use their phones for a certain period, some providers subtract a surcharge from their cards. In the banking sector, a study has been conducted to estimate the number of instances in which banks refused overindebted consumers who wanted to open a giro account without overdraft credit. The association estimates that 20% of overindebted households do not have a giro account. The vzbv criticizes this situation, which illustrates that the negotiated agreement of the ZKA (German Central Credit Committee) according to which all banks that offer giro acounts should open a so-called *Jedermannkonto* if a consumer asks for it, does not work comprehensively. Furthermore, the vzbv criticizes that refusals are often expressed verbally only and that the obtaining of SCHUFA information is not admissible if the customer wants to open an account in credit (i.e., an account without overdraft credit).

Expert interview 9:
"Our premium, special services for 8% of our customers are our 'flagship' … but service differentiation starts much earlier."
Expert 9 has been working in the telecommunications sector for nine years. His current position can be described as head of CRM. He points out in the beginning of the interview that customer value models are customary in the telecommunications sector. *"I think that customer value concepts really work … the customers accept this if the approach is transparent and comprehensible."* He reports that his company classifies customers into four segments, namely A, B, C, and D customers. *"Our segmentation is based on the customers' CLV, that is, their expected average customer lifetime … currently, we have 5% A customers, 15% B customers, 30% C customers, and 50% D customers … some customers are unprofitable, they are included in the D segment."* When asked about the characteristics of an ideal, highly profitable customer, he characterizes such a customer as someone *"with a high share of wallet … he or she buys all products, for example landline, cell phone, DSL, and mobile E-mail of our company."* He adds that *"usually, regarding mobile phones, postpaid customers—especially those, who make many calls into all networks—are more important than prepaid customers. But it is difficult to say … Generally, both types, prepaid and postpaid, can be profitable or unprofitable."* Asked about service discrimination, he explains that they have a special service for the 8% best customers at the moment: *"Our premium, special services for 8% of our customers are our 'flagship' … but service differentiation starts much earlier, for example in terms of the waiting time when customers call a hotline, or in terms of the speed a complaint is handled … that is, especially in bottleneck situations, the D customer needs to wait a bit longer than the A customer.*" He adds that the special service for the best customers (that includes an extra hotline, fast replacement in case of damage, discounts, and bonuses) can be described as a success. *"We measure the program's success in terms of customer satisfaction and churn … in general, we have 30% churn, 30% extension of contract, and 30% sleepers, that is, customers who stay and keep calling, so they automatically extend the present contract without a new cell phone … concerning our special services program, the churn in this segment is much lower … so we are thinking about extending this program to a somewhat larger percentage of customers."* Yet, he admits that some of the company's measures can only be reactive, not proactive. *"We put much effort in the customer win-back of A customers, for example … but this is reactive. In general, comprehensive pro-activity would cost too much money."* Asked about the handling of unprofitable customers, he emphasizes that they *"offer a high quality basic service for every customer"* but that they are currently thinking about what to do if they recognize that some customers cannot be developed into profitable customers. *"At the moment, the customer win-back process is the same for all D customers, for example … we could consider a differentiation here."* He also indicates how the company tries to avoid the problem of unprofitable power-users. *"There are regulations when to curb the data transfer … we offer these customers an alternative, attractive contract … we try to crate a win-win-situation."* In line with this thought, he also discusses the balance between equity and equality: *"We have a very good basic service for everybody, and for the best customers, we have some additional services … we do not plan dramatic cutbacks for unprofitable customers … there will never be a rigorous exit."*

Expert interview 10:
"It's my 'company philosophy' to treat everybody equally."
Since there is an ongoing debate in Germany on unequal treatment in the health (insurance) sector, a physician has been included in the interview sample: Expert 10 has been working as a dermatologist in her own medical practice for many years—seven years in a rural area, and about the same time in the city center of Munich. *"In my practice in Munich, approximately*

20% of my patients have private insurance. That's about the average in Munich. In a rural area, fewer patients have private insurance. Therefore, as a country doctor, you need more patients ... as a country doctor, I saw 80 patients per day, 40 in the morning and 40 in the afternoon. Today, I see fewer patients ... In a rural area, a doctor would and could never reject a patient ... you need 'mass,' and there would be negative word of mouth, of course." When asked if she treats her patients according to their insurance and therefore, profitability, she points out that it is her *"company philosophy"* to treat everybody equally. *"The only thing is that I may try harder to keep appointments punctually for private patients ... but in general, everybody gets the same treatment ... the best way is to treat patients according to medical urgency."* When asked about the way colleagues are dealing with patients of different profitability levels, she states that she knows a few colleagues with a different attitude. *"Some have separate waiting rooms and extra consultation hours ... sometimes, patients with private insurance are 'hyper-medicated' ... patients with statutory insurance are sometimes sent directly into the hospital if it's clear that they need to come several times in a given quarter."* On inquiry, she reports that she receives 15,11 EUR for a statutorily insured patient per quarter, independent of how often he or she needs to be medicated in this respective quarter. *"For a privately insured patient, I usually receive 120 EUR per month—not per quarter! It would be easy to receive even more money, that's why I talked about 'hyper-medication' earlier."* From her answers, it became clear how a patient can become unprofitable: *"If a statutorily insured patient needs to be medicated frequently in a given quarter, this may be unprofitable ... but as I said, I never reject a patient, and I never send a patient away."* Although her policy is clear, her medical secretaries have told her that (new) patients are sometimes skeptical when calling the practice. *"Although we never ask about the kind of insurance when a patient calls, they sometimes ask if we treat statutorily insured patients at all.*"

Expert interview 11:
"If they are not allowed into the club, people tend to get aggressive."
Expert 11 has worked as a bouncer in different clubs and bars in Munich. Since he experiences peoples' immediate reactions to differential treatment—some are allowed into a club, others not—he was included in the interview sample although a bouncer's decisions are not directly linked with thoughts about the guests' profitability. He emphasizes that—to be in business for a long time—a good club only admits people who fit to the profile of the respective club. *"At first, a club generally needs guests of high social value, that is, 'eye-openers' ... for example guests who are somehow stylish, funny, interesting, and outgoing... these guests will attract 'financially sound' guests."* He states that it is often not easy to tell apart if a potential guest has money or if he is only pretending to have money. Yet, "*experienced bouncers get a good feeling for it. If the looks and the demeanor do not match, they recognize it."* Asked about peoples' reaction to rejection, he reports that *"people tend to get aggressive, both men and women ... of course, the more drunk, the more aggressive ... but it also depends on the bouncer's way of rejecting people, if you are friendly or arrogant."*

Table A.8 *Consumer Interviews: Quotes*

Interviewee (See Table A.7)	Examples and incidents	If I was treated less well than other, more profitable customers, I would …	If I was treated better than other, less profitable customers, I would …	What principle is more important, equity or equality? Is DCT fair? What would you do as a manager?	Further company examples
1	"Some years ago, I was unemployed and pregnant … I was really naïve, I thought that my bank, the *Hypo Vereinsbank*, may be so kind to waive my fees … instead, they wanted to cancel my overdraft credit … after discussions, they only limited the credit … After the birth of my daughter, they wanted to sell me things, even pension insurance for my newborn … as I did not agree, they threatened me again with the overdraft credit … you know what? I hate my bank counselor! … I know other single moms, they had similar problems with *Commerzbank*, *Deutsche Bank*, and *Dresdner Bank* …"	"… not longer go there … but OK, I stayed with my bank, for example, out of laziness."	"… it depends on how they treat the other customers. If they treat everybody well and me just a bit better, I would stay. But if they are gross to the others, I would not stay."	"I think that differential treatment is not fair but understandable … the market isn't fair … If I was a manager, I would probably also differentiate a bit … but I would treat everybody well."	"*Amazon*, treats everybody well … my experience with *O2* is also good, but I read in online forums that they fire power users … and of course, banks differentiate strongly."
2	"I cannot recall such an incident … I can just tell you that my friend who studies medicine often gets calls from financial service providers that want to sell her insurances. I don't get such calls as a humanities PhD student."	"… address and criticize this as poor service."	"… ideally, also address and criticize it … but maybe I would feel flattered."	"If differentiation is part of the product, if it's clear and transparent, then it is fair. Luxury goods, for example, are per definition for a certain group, and the *Deutsche Bahn* has a 1st and a 2nd class according to the price you pay … regarding everyday commodities, including cell phone and Internet services, there should be equal treatment."	"I think that everybody is treated equally at *dm*, *Air Berlin*, and in savings banks."
3	To her disappointment, the mail-order catalogue *Impressionen* is not sent to her any longer: "Because I have not bought something for a certain while … I think this is impatient from the company … this is short-term thinking."	"… terminate this business relationship."	"… accept it."	"I would treat the best customers extremely well, but I would never mistreat unprofitable customers … I think that the gap between these groups should not be too large … a slight differentiation is OK in general. But in some fields, for example health, when a field is essential … everybody should be treated equally".	"I think that the *Sparda Bank* treats everybody equally … they do not reject people."

(Table A.8 continues)

(Table A.8 continued)

Interviewee (See Table A.7)	Examples and incidents	If I was treated less well than other, more profitable customers, I would …	If I was treated better than other, less profitable customers, I would …	What principle is more important, equity or equality? Is DCT fair? What would you do as a manager?	Further company examples
4	“I have private health insurance, and I must say that I feel overmedicated both from my dentist and from my internist ... if I am preferred in their medical practice in terms of shorter waiting time, I feel a bit embarrassed.” “I have placed money with two banks. The consultant of the bank where I placed more money came to my 60th birthday with flowers … nothing from the other bank.” “In restaurants, if you are not a regular, you sometimes get a bad table even if it is empty … this makes me angry.”	“… become angry. Except I know that the other customer has really paid a lot more.”	“… stay with the company. If the preferred treatment is clear and transparent, it is pleasurable. If it is unclear and intransparent, it gives me an unpleasant feeling.”	“Although equal treatment would be desirable, I think that we just cannot impose this on private companies … they have the freedom to decide. If I was an entrepreneur, I would also want this right to choose … in general, I would say that, in one’s heart, nobody is fully democratic … everybody likes the idea of equal treatment as long as he or she is not personally involved.”	“I cannot give more concrete examples … I think that I often don’t see through how companies do things … maybe *Hawesko* is an example. It’s a pity that they don’t send me their catalogue any longer.”
5	“I once called the *opodo* hotline and asked about extra luggage, the agent was not helpful … I said that I am a good customer, I booked flights for thousands of Euros via *opodo* … the agent said to me that she does not care, that she treats everybody equally.” “When I was younger, we received the *Quelle* mail-order catalogue. If we did not buy something, we had to pay 10 Deutsche Mark to receive the catalogue again, but this money was set off against our next order. This is decent.”	“…it’s all right.”	“…it’s all right.”	“We are talking about private companies, so differential treatment is fair. I mean, we live in a barter economy … I think that in B2B, differential treatment is self-natural, but I am wondering how this is in B2C … In general, I think that equity is more important than equality. Still, there has to be a basic care for everybody in terms of social welfare, food, and health insurance … if I was a manager, I would differentiate strongly. First, I would try to get a critical mass of customers, but later, I would ‘hive off’ unprofitable customers if possible.”	n/a

(Table A.8 continues)

(Table A.8 continued)

Interviewee (See Table A.7)	Examples and incidents	If I was treated less well than other, more profitable customers, I would …	If I was treated better than other, less profitable customers, I would …	What principle is more important, equity or equality? Is DCT fair? What would you do as a manager?	Further company examples
6	"As a consultant, my customer status is high in the loyalty programs of *Lufthansa* and *Starwood Hotels* … here, I somehow expect upgrades … but sometimes, these loyalty programs are crude. Nothing happens when you stay 24 nights, for example, but after the 25th night, you receive many privileges."	"…switch, but only if it costs nothing to switch."	"… stay with the company."	"Equity is more important in all profit-maximizing private sectors … health is a different field I think. Here, everybody needs a good basic care, this is a fiscal matter … If I was a manager, I would differentiate among different customer groups … If there are customers who cannot be turned into profitable customers, I would also divest customers … but I would take the public reaction into consideration … you need to be cautious."	"I think that *Lufthansa* differentiates very well … the differentiation of *Deutsche Bahn* however, does not work."
7	"I have never felt severely discriminated … I mean, I am not treated like Boris Becker, but this does not mean that I am not treated well." "I lived in Canada for five years. I had a bank account at *Canada Trust*… I chose the 'Select Service.' That is, if you have always more than $5000 in your account, all fees are waived." "I am living in Los Angeles … in the supermarkets, you really need to be a loyalty cardholder or club member to get decent prices. They practically force you to become a cardholder … then they can track your purchases. I don't like that." "If you come to the US, you are a nobody first … Because I had no credit history in the US, I had to pay a deposit to get cable … at my new bank, I was only allowed a very expensive credit card … this was a weird feeling because I have transferred all my savings to this bank."	"… switch the provider."	"… recommend the company to others … I have recommended my *Canada Trust* bank account to others, for example."	"In general, I think that both forms of justice, equity and equality, are equally important. It depends on the service, I think. Postal services, telephone et cetera, this must be accessible for everybody in an equal manner … and I don't like it if customers are dismissed … everybody should have the possibility to open a giro account, for example … but customers who really pay a lot, they should get a cherry on the cake … In sum, slight differentiation is fine, but I do not like strong differentiation and divestment. Especially in the health sector, there should not be such a differentiation. If banks differentiate, this is OK as long as everybody can open an account … If I was a manager, I would offer good basic services for everybody. A certain preferential treatment for the best customers is fine. But, as I said, it also depends on the industry I am in."	"It's difficult to say. I think that most companies treat customers well."

Note. I translated the German answers for the present Table. DCT = differential customer treatment.

Appendix F: Types of Measurement Invariance

When comparing groups, the study of measurement invariance is considered a logical prerequisite. Table A.9 displays the invariance types that have been relevant for the present thesis in more detail.

Table A.9 *Types of Measurement Invariance*

Type of invariance test	Meaning	MPlus syntax (Muthén & Muthén, 1998-2007, p. 399)
Configural invariance	Sometimes also called 'weak factorial invariance'—the measurement instrument should exhibit the same configuration (pattern) of fixed and free factor loadings across different groups. → Same model structure in the groups. Prerequisite for further tests.	"Intercepts, factor loadings, and residual variances free across groups; factor means fixed at zero in all groups."
Metric invariance	Sometimes also called 'strong factorial invariance'—factor loadings for like items are invariant across groups. → Same metric in the groups. At least partial metric invariance should be given as a prerequisite for any quantitative comparison between groups.	"Factor loadings constrained to be equal across groups; intercepts and residual variances free; factor means fixed at zero in all groups."
Scalar invariance	The intercepts of like items' regressions on the latent variable(s) are invariant across groups. → At least partial scalar invariance should be given as a prerequisite for mean comparisons.	"Intercepts and factor loadings constrained to be equal across groups; residual variances free; factor means zero in one group and free in the others." (MPlus default)

Note. Adapted from Vandenberg and Lance (2000), Steenkamp and Baumgartner (1998), and Steinmetz, Schmidt, Tina-Booh, Wieczorek, and Schwartz (2009).

Appendix G: Cutoff Values and Measurement Properties (Study 1)

At first, typical cutoff values of global and local fit will be presented in Table A.10 and Table A.11. Subsequently, the measurement properties of Study 1 are presented in Table A.12.

Table A.10 *Evaluation of Overall Model Fit*

	Fit index	Cutoff value (source)	Comment/description
Absolute measures (model fit in comparison to no model)	Chi-Square (χ^2) Test	- Significance of χ^2-Test - χ^2/df ≤ 3 (Homburg & Giering, 1996)	Tests the null hypothesis that the difference between the empirical covariance matrix and the model-implied covariance matrix is zero; test is sensitive to sample size.
	RMSEA	- ≤ .06 (Hu & Bentler, 1999) - ≤ .05 indicates close fit (Browne & Cudeck, 1992) - ≤ .08 indicates reasonable fit (Browne & Cudeck, 1992)	Root mean squared error of approximation: Estimates how well the fitted model approximates the population covariance matrix per degree of freedom (i.e., less parsimonious models with poorer fit; Steiger, 1990).
	SRMR	- ≤ .08 (Hu & Bentler, 1999)	Standardized root mean squared residual.
Incremental measures (model fit in comparison to baseline model/independence null model)	CFI	- ≥ .95 (Hu & Bentler, 1999)	Comparative fit index; a normed index.
	TLI	- ≥ .95 (Hu & Bentler, 1999)	Tucker-Lewis index: Contrary to CFI, TLI expresses fit per degree of freedom (i.e., less parsimonious models with poorer fit); a non-normed index.

Table A.11 *Evaluation Criteria of Latent Constructs*

	Criterion	Cutoff value (source)	Interpretation/comment
First generation	Cronbach's α	≥ .70 (Nunnally, 1978) ≥ .60 acceptable in preliminary research (meta-analysis by Peterson, 1994).	Internal consistency.
	Item-to-total correlation	Explicit cutoff values are rarely given.	As a rule, items (with low item-to-total correlations) that decrease Cronbach's α substantially should be deleted from the scale (Churchill Jr., 1979).
	Explained variance in EFA	≥ 50% (Netemeyer, Bearden, & Sharma, 2003)	Due to the principle of parsimony, a small number of items should explain a high percentage of variance.
	Retest-reliability	≥ .60 (Aaker, 1997)	Temporal stability.
Second generation	Factor reliability	≥ .60 (Bagozzi & Yi, 1988)	Interpreted as both aspects of reliability and convergent validity (Homburg & Giering, 1996).
	Average variance extracted (AVE)	≥ .50 (Bagozzi & Yi, 1988)	Interpreted as both aspects of reliability and convergent validity (Homburg & Giering, 1996).
	Significance of factor loading	n/a	Interpreted as aspect of convergent validity (Homburg & Giering, 1996).
	Fornell-Larcker ratio (FLR)	< 1 (Fornell & Larcker, 1981)	Interpreted as aspect of discriminant validity (Fornell & Larcker, 1981).

Note. The distinction between *first generation* and *second generation* criteria follows Homburg and Giering (1996). Because all constructs of Study 1 are measured by reflective indicators (Jarvis, MacKenzie, & Podsakoff, 2003)—also called "effect indicator measurement models" (Bollen & Lennox, 1991, p. 306)—the psychometric properties presented in this Table are applicable.

Table A.12 *Study 1: Measurement Properties of Latent Constructs*

Country	Construct	Cronbach's α	Item-to-total correlation (range)	EFA– No. Eigenvalues > 1; % variance explained	Composite (factor) reliability	AVE	FLR
US	$\text{Fairness}_{\text{Telco}}$	.75	.51–.67	1; 66%	.76	.51	.49
	$\text{Reaction non-pref}_{\text{Telco}}$	.93	.83–.90	1; 85%	.93	.81	.21
	$\text{Reaction pref}_{\text{Telco}}$	.91	.79–.83	1; 82%	.91	.77	.25
	$\text{Fairness}_{\text{Bank}}$	.81	.64–.72	1; 72%	.82	.60	.59
	$\text{Reaction non-pref}_{\text{Bank}}$	.91	.75–.87	1; 84%	.91	.77	.36
	$\text{Reaction pref}_{\text{Bank}}$	.91	.79–.85	1; 83%	.91	.77	.28
	$\text{Fairness}_{\text{Airline}}$	.74	.44–.64	1; 66%	.77	.54	.62
	$\text{Reaction non-pref}_{\text{Airline}}$	.91	.80–.84	1; 85%	.91	.77	.43
	$\text{Reaction pref}_{\text{Airline}}$	.92	.81–.86	1; 85%	.92	.79	.33
	$\text{Fairness}_{\text{Medical}}$	.86	.69–.78	1; 78%	.86	.67	.55
	$\text{Reaction non-pref}_{\text{Medical}}$	.92	.79–.89	1; 86%	.92	.80	.46
	$\text{Reaction pref}_{\text{Medical}}$	.93	.83–.89	1; 87%	.93	.82	.08
	Equity preference[a]	.65	.38–.54	1; 60%	.58	.33	.79
DE	$\text{Fairness}_{\text{Telco}}$	.76	.58–.62	1; 68%	.77	.52	.53
	$\text{Reaction non-pref}_{\text{Telco}}$	.88	.72–.83	1; 80%	.88	.72	.39
	$\text{Reaction pref}_{\text{Telco}}$	.91	.81–.82	1; 83%	.91	.77	.23
	$\text{Fairness}_{\text{Bank}}$	.73	.47–.63	1; 65%	.74	.50	.44
	$\text{Reaction non-pref}_{\text{Bank}}$	.88	.72–.83	1; 80%	.89	.72	.30
	$\text{Reaction pref}_{\text{Bank}}$	.92	.82–.85	1; 84%	.92	.79	.24
	$\text{Fairness}_{\text{Airline}}$	.70	.42–.64	1; 64%	.71	.47	.38
	$\text{Reaction non-pref}_{\text{Airline}}$	.91	.77–.86	1; 85%	.91	.77	.35
	$\text{Reaction pref}_{\text{Airline}}$	.91	.81–.85	1; 83%	.91	.78	.21
	$\text{Fairness}_{\text{Medical}}$	.72	.51–.62	1; 65%	.74	.50	.76
	$\text{Reaction non-pref}_{\text{Medical}}$	.90	.75–.85	1; 83%	.90	.75	.50
	$\text{Reaction pref}_{\text{Medical}}$	.91	.81–.84	1; 84%	.91	.78	.15
	Equity preference[a]	.66	.40–.54	1; 60%	.68	.42	.66

Note. Each construct was measured by three indicators; all indicators with significant loading on respective factor in CFA; see Chapter 3.3.1 (Table 6) for overall model fit; EFA = exploratory factor analysis; AVE = average variance extracted; FLR = Fornell-Larcker ratio; non-pref = non-preferred; pref = preferred; fairness = perceived fairness of differential customer treatment; US = United States; DE = Germany.

[a] equity preference was assessed for a second time in half of the sample ($n_{US} = 127$, $n_{DE} = 134$); retestreliability was .66 in the US and .60 in DE.

Appendix H: Observed Means and Latent Means (Study 1)

Table A.13 *Study 1: Observed and Latent Means*

Construct	Observed mean[a]	Standard deviation	Standard error	Observed means analysis	Latent means analysis (German mean set to 0.00 → US mean)
$\text{Fairness}_{\text{TelcoUS}}$	3.46	1.09	.07	$F(1, 529) = 22.47, p < .001$	$M_{DE} = 0.00$
$\text{Fairness}_{\text{TelcoDE}}$	3.88	.98	.06		→ $M_{US} = -.302, SE = .09, p = .001$
$\text{Fairness}_{\text{BankUS}}$	3.35	1.16	.07	$F(1, 529) = 39.21, p < .001$	$M_{DE} = 0.00$
$\text{Fairness}_{\text{BankDE}}$	3.93	.97	.06		→ $M_{US} = -.410, SE = .09, p < .001$
$\text{Fairness}_{\text{AirlineUS}}$	2.95	1.17	.07	$F(1, 529) = 33.23, p < .001$	$M_{DE} = 0.00$
$\text{Fairness}_{\text{AirlineDE}}$	3.50	1.01	.06		→ $M_{US} = -.222, SE = .11, p = .04$
$\text{Fairness}_{\text{MedicalUS}}$	4.14	1.08	.07	$F(1, 529) = 5.17, p = .02$	$M_{DE} = 0.00$
$\text{Fairness}_{\text{MedicalDE}}$	4.33	.82	.05		→ $M_{US} = -.058, SE = .09, p = .49$
Reaction $\text{non-pref}_{\text{TelcoUS}}$	1.76	.92	.06	$F(1, 529) = 15.42, p < .001$	$M_{DE} = 0.00$
Reaction $\text{non-pref}_{\text{TelcoDE}}$	1.49	.69	.04		→ $M_{US} = .288, SE = .09, p < .001$
Reaction $\text{pref}_{\text{TelcoUS}}$	3.16	1.13	.07	$F(1, 529) = 11.39, p = .001$	$M_{DE} = 0.00$
Reaction $\text{pref}_{\text{TelcoDE}}$	3.48	1.08	.07		→ $M_{US} = -.325, SE = .10, p = .001$
Reaction $\text{non-pref}_{\text{BankUS}}$	1.76	.88	.06	$F(1, 529) = 15.72, p < .001$	$M_{DE} = 0.00$
Reaction $\text{non-pref}_{\text{BankDE}}$	1.48	.70	.04		→ $M_{US} = .258, SE = .07, p < .001$
Reaction $\text{pref}_{\text{BankUS}}$	3.07	1.16	.07	$F(1, 529) = 17.91, p < .001$	$M_{DE} = 0.00$
Reaction $\text{pref}_{\text{BankDE}}$	3.49	1.12	.07		→ $M_{US} = -.420, SE = .10, p < .001$
Reaction $\text{non-pref}_{\text{AirlineUS}}$	1.93	.90	.06	$F(1, 529) = 1.67, p = .19$	$M_{DE} = 0.00$
Reaction $\text{non-pref}_{\text{AirlineDE}}$	1.83	.85	.05		→ $M_{US} = .198, SE = .09, p = .03$
Reaction $\text{pref}_{\text{AirlineUS}}$	3.23	1.19	.07	$F(1, 529) = 13.82, p < .001$	$M_{DE} = 0.00$
Reaction $\text{pref}_{\text{AirlineDE}}$	3.59	1.08	.07		→ $M_{US} = -.323, SE = .09, p < .001$
Reaction $\text{non-pref}_{\text{MedicalUS}}$	1.49	.79	.05	$F(1, 529) = 2.07, p = .16$	$M_{DE} = 0.00$
Reaction $\text{non-pref}_{\text{MedicalDE}}$	1.40	.62	.04		→ $M_{US} = .090, SE = .08, p = .25$
Reaction $\text{pref}_{\text{MedicalUS}}$	2.60	1.22	.08	$F(1, 529) = 40.18, p < .001$	$M_{DE} = 0.00$
Reaction $\text{pref}_{\text{MedicalDE}}$	3.25	1.16	.07		→ $M_{US} = -.535, SE = .09, p < .001$
Equity $\text{preference}_{\text{US}}$	2.68	.78	.05	$F(1, 529) = .15, p = .70$	$M_{DE} = 0.00$
Equity $\text{preference}_{\text{DE}}$	2.65	.82	.05		→ $M_{US} = .122, SE = .10, p = .23$

Note. Observed means were analyzed with SPSS/PASW 18 (SPSS-Inc., 2009) and latent means with Mplus (Muthén & Muthén, 1998-2007). *SE* = standard error; [a] Scale formats: Fairness scales (1 = *fair*, 5 = *unfair*); reaction scales (1 = *negative reaction*, 5 = *positive reaction*); equity preference (scale format varied, see Appendix D; minimum = 1.00; maximum = 4.33; maximum indicating a high preference for equity vs. equality).

Appendix I: Details on the 3-Cluster Solution and Gender Differences (Study 1)

Table A.14 *Means and Standard Deviations of the 3-Cluster Solution*

	Cluster 1: *Consistent DCT Proponents* ($n = 355$)	Cluster 2: *Consistent DCT Critics* ($n = 64$)	Cluster 3: *Inconsistent DCT Critics* ($n = 112$)
	M (SD)	*M (SD)*	*M (SD)*
Equity preference	2.82 (.75)	2.27 (.80)	2.42 (.80)
Fairness of DCT			
Telecommunications	3.27 (.98)	4.52 (.72)	4.50 (.55)
Bank	3.17 (1.01)	4.60 (.63)	4.60 (.49)
Airline	2.75 (.96)	4.30 (.82)	4.16 (.67)
Medical services	3.98 (1.01)	4.66 (.76)	4.82 (.36)
Reaction to non-preferred treatment			
Telecommunications	1.87 (.89)	1.09 (.31)	1.14 (.32)
Bank	1.86 (.86)	1.11 (.33)	1.15 (.34)
Airline	2.20 (.86)	1.13 (.39)	1.32 (.49)
Medical services	1.62 (.79)	1.10 (.33)	1.09 (.26)
Reaction to preferred treatment			
Telecommunications	3.48 (.98)	1.78 (.79)	3.71 (.95)
Bank	3.44 (1.06)	1.66 (.67)	3.71 (.87)
Airline	3.59 (1.01)	1.69 (.74)	3.85 (.83)
Medical services	3.02 (1.20)	1.53 (.73)	3.46 (.96)

Note. DCT = differential customer treatment; M = mean; SD = standard deviation; equity preference: Maximum of the equity preference scale is 4.33, minimum is 1.00; fairness scales: 1 = *fair*, 5 = *unfair*; reaction scales: 1 = *negative reaction*, 5 = *positive reaction*; ANOVA post hoc tests (Bonferroni; $p < .05$) show that: Cluster 1 displays a significantly higher level of equity preference, a significantly lower level of unfairness perceptions, and less negative reactions to non-preferred treatment than Cluster 2 & 3. Cluster 2 & 3 only differ in terms of their reactions to preferred treatment—Cluster 3 reacts significantly more positively. Cluster 3 also reacts significantly more positively than Cluster 1 (with the exception of the telecommunications context).

Chi-square tests of independence have been computed regarding the socio-demographic composition of the three clusters (presented in Chapter 3.3.2). Only significant tests are reported here (Cluster 1: Consistent proponents of differential customer treatment; Cluster 2: Consistent critics of differential customer treatment; Cluster 3: Inconsistent critics of differential customer treatment): Analyses show that the number of Germans in Cluster 3 is significantly larger than in Cluster 1, $\chi^2(1, N = 467) = 21.62$, $p < .001$, and in Cluster 2, $\chi^2(1, N = 176) = 8.49$, $p = .004$. The number of women in Cluster 1 is smaller than in Cluster 2, $\chi^2(1, N = 419) = 4.10$, $p = .04$, and in Cluster 3, $\chi^2(1, N = 467) = 15.50$, $p < .001$. Furthermore, the educational level is significantly lower in Cluster 2 than in Cluster 1, $\chi^2(1, N = 419) = 15.47$, $p < .001$, and in Cluster 3, $\chi^2(1, N = 176) = 5.47$, $p = .02$. Because up to 41% did not answer the non-mandatory questions on political views and income, findings are only presented in a merely descriptive manner (i.e., without significance tests).

Table A.15 *Study 1: Gender Differences*

	US men (n = 129)	US women (n = 131)	DE men (n = 127)	DE women (n = 144)
	M (SD)	*M (SD)*	*M (SD)*	*M (SD)*
Fairness of DCT				
Telecommunications	3.31 (1.18)	3.61 (.96)	3.73 (.96)	4.03 (.97)
Bank	3.20 (1.21)	3.48 (1.10)	3.70 (.98)	4.13 (.93)
Airline	2.81 (1.15)	3.09 (1.19)	3.34 (.89)	3.64 (1.08)
Medical services	3.87 (1.20)	4.41 (.87)	4.20 (.83)	4.45 (.80)

Note. US = United States; DE = Germany; DCT = differential customer treatment; *M* = mean; *SD* = standard deviation.

Table A.16 *Study 2: Gender Differences*

	US men	US women	DE men	DE women
$n_{Telecommunications}$	40	27	28	35
n_{Bank}	41	40	45	34
$n_{Airline}$	40	39	41	32
$n_{Medical\ services}$	29	47	38	41
	M (*SD*)	*M* (*SD*)	*M* (*SD*)	*M* (*SD*)
Fairness of DCT				
Telecommunications	3.13 (1.17)	3.33 (1.27)	3.58 (.88)	3.82 (.91)
Bank	2.94 (1.26)	3.48 (1.20)	3.99 (.88)	4.35 (.84)
Airline	2.81 (.86)	2.96 (.84)	3.45 (.84)	3.08 (.76)
Medical services	3.86 (1.31)	4.43 (.84)	4.29 (.86)	4.54 (.61)

Note. US = United States; DE = Germany; DCT = differential customer treatment; *M* = mean; *SD* = standard deviation.

Appendix J: Measurement Properties, Regressions, and Additional Analyses (Study 2)

Firstly, a test of the regression model assumptions and the analysis of measurement properties (Tables A.17–A.19) are presented. Secondly, regression results as well as additional findings are shown (Tables A.20–A.24).

Table A.17 *Study 2: Test of Regression Assumptions*

Country and Industry		Homoscedasticity (Glejser, 1969)	Absence of multi-collinearity (O'Brien, 2007)	Normal distribution of residuals (Kolmogorov-Smirnov Test)
US	Telecommunications	$p = .45$	VIF = 1.00	$p = .20$
	Bank	$p = .71$	VIF = 1.01	$p = .20$
	Airline	$p = .11$	VIF = 1.04	$p = .20$
	Medical services	$p = .001$*	VIF = 1.04	$p = .001$*
DE	Telecommunications	$p = .45$	VIF = 1.29	$p = .20$
	Bank	$p = .004$*	VIF = 1.02	$p = .07$
	Airline	$p = .19$	VIF = 1.02	$p = .18$
	Medical services	$p = .01$*	VIF = 1.20	$p = .01$*

Note. VIF = variance inflation factor; predictors: equity preference, economic locus of control; dependent variable: fairness of differential treatment; if Glesjer Test is significant ($p < .05$), the assumption of homoscedasticity is rejected; if Kolmogorov-Smirnov Test is significant ($p < .05$), the assumption of a normal distribution is rejected; VIF should be < 4.00.

Table A.18 *Study 2: Measurement Invariance of Within-Measured Constructs*

Model	Compared model	χ^2 *(df)*	$\Delta\chi^2$ *(Δdf)*[a]	RMSEA (Δ RMSEA)	SRMR (Δ SRMR)	CFI (ΔCFI)	TLI
A Configural		67.56 (26)	-	.073	.032	.961	.937
B Full metric	A	79.56 (31)	12.04 (5)	.073	.049	.954	.938
D Full scalar[b]	A	112.88 (36)	45.14 (10)*	.085	.053	.928	.916
E Partial scalar	A	85.50 (34)	17.95 (8)	.071 (.002)	.045 (.013)	.953 (.008)	.940 (.003)

Note. Analyses involved two constructs—equity preference (three items) and economic locus of control (four items)—that were assessed in the complete sample of Study 2. Fit indexes are explained in Table A.10. As multivariate normality was not given (skewness and kurtosis chi-square = 218.66, $p < .001$; relative multivariate kurtosis = 1.20), MLR was used as estimator.
[a] Sattora-Bentler scaled chi-square difference.
[b] Default in MPlus.
*$p < .01$.

Table A.19 *Study 2: Measurement Properties*

	Construct	Cronbach's α	Item-to-total correlation (range)	EFA: No. Eigenvalues > 1; % variance explained	Composite (factor) reliability	AVE	FLR
US	Ec. locus of control (w)	.81	.58–.71	1; 65%	.82	.53	.03
	Equity preference (w)	.79	.60–.68	1; 70%	.79	.55	.03
	$\text{Fairness}_{\text{Telco}}$ (b)	.82	.65–.71	1; 74%	-	-	-
	$\text{Fairness}_{\text{Bank}}$(b)	.86	.70–.75	1; 78%	-	-	-
	$\text{Fairness}_{\text{Airline}}$(b)[a]	.64	.47–.47	1; 74%	-	-	-
	$\text{Fairness}_{\text{Medical}}$ (b)	.89	.75–.85	1; 83%	-	-	-
DE	Ec. locus of control (w)	.85	.66–.71	1; 69%	.84	.58	.18
	Equity preference (w)	.79	.61–.64	1; 70%	.79	.55	.19
	$\text{Fairness}_{\text{Telco}}$ (b)	.76	.50–.72	1; 69%	-	-	-
	$\text{Fairness}_{\text{Bank}}$(b)	.72	.50–.65	1; 68%	-	-	-
	$\text{Fairness}_{\text{Airline}}$(b)	.64	.39–.60	1; 59%	-	-	-
	$\text{Fairness}_{\text{Medical}}$ (b)	.75	.51–.69	1; 68%	-	-	-

Note. US = United States; DE = Germany; Telco = telecommunications; Medical = medical services; Ec. = economic; EFA= exploratory factor analysis; AVE = average variance extracted; FLR = Fornell-Larcker ratio; b = construct was measured between subjects (hence, sample size was too small for CFA); w = construct was measured within subjects; economic locus of control was measured by four indicators, other constructs were assessed by three indicators each; all indicators of economic locus of control and equity preference with significant loading on respective factor in CFA (see Table A.18 for overall fit).

[a] In the US, the airline fairness scale does not work with three items. Therefore only two items are considered here (as explained in Chapter 3.4.1).

Table A.20 *Study 2: Equity Preference Predicts Unfairness Perceptions*

	Industry	Standardized β	R^2
US	Telco	β = -.51, t(65) = -4.75, p < .001	R^2 = .26, F(1, 65) = 22.60, p < .001
	Bank	β = -.71, t(79) = -8.87, p < .001	R^2 = .50, F(1, 79) = 78.76, p < .001
	Airline[a]	β = -.50, t(77) = -4.99, p < .001	R^2 = .25, F(1, 77) = 24.99, p < .001
	Medical	β = -.45, t(74) = -4.28, p < .001	R^2 = .20, F(1, 74) = 18.28, p < .001
DE	Telco	β = -.35, t(61) = -2.91, p = .005	R^2 = .12, F(1, 61) = 8.44, p = .005
	Bank	β = -.45, t(77) = -4.43, p < .001	R^2 = .20, F(1, 77) = 19.65, p < .001
	Airline	β = -.47, t(71) = -4.47, p < .001	R^2 = .22, F(1, 71) = 19.98, p < .001
	Medical	β = -.29, t(77) = -2.62, p = .010	R^2 = .08, F(1, 77) = 6.89, p = .010

Note. US = United States; DE = Germany; Telco = telecommunications; Medical = medical services; predictor = equity preference; dependent variable = perceived fairness of differential customer treatment (1 = *fair*, 5 = *unfair*).

[a] The fairness scale in the US airline context comprises only two items as explained in Chapter 3.4.1.

Table A.21 *Study 2: Do Locus of Control Beliefs Predict Unfairness Perceptions?*

	Industry	Standardized β	R^2
US	Telco	β = -.22, t(65) = -1.85, p = .084	R^2 = .05, F(1, 65) = 3.44, p = .084
	Bank	β = .07, t(79) = .59, p = .557	R^2 = .01, F(1, 79) = .35, p = .557
	Airline[a]	β = -.03, t(77) = -.27, p = .789	R^2 = .00, F(1, 77) = .07, p = .789
	Medical	β = -.10, t(74) = -.90, p = .373	R^2 = .01, F(1, 74) = .80, p = .373
DE	Telco	β = -.25, t(61) = -2.05, p = .045	R^2 = .06, F(1, 61) = 4.19, p = .045
	Bank	β = -.43, t(77) = -4.15, p < .001	R^2 = .18, F(1, 77) = 17.24, p < .001
	Airline	β = -.13, t(71) = -1.06, p = .293	R^2 = .02, F(1, 71) = 1.12, p = .293
	Medical	β = -.20, t(77) = -1.77, p = .081	R^2 = .04, F(1, 77) = 3.13, p = .081

Note. US = United States; DE = Germany; Telco = telecommunications; Medical = medical services; predictor = internal economic locus of control; dependent variable = perceived fairness of differential customer treatment (1 = *fair*, 5 = *unfair*).
[a] The fairness scale in the US airline context comprises only two items (see Chapter 3.4.1).

Table A.22 *Study 2: Do Locus of Control Beliefs Predict Equity Preference?*

	Industry	Standardized β	R^2
US	Telco	β = .05, t(65) = .38, p = .702	R^2 = .00, F(1, 65) = .15, p = .702
	Bank	β = .07, t(79) = .61, p = .543	R^2 = .01, F(1, 79) = .37, p = .543
	Airline[a]	β = .20, t(77) = 1.82, p = .073	R^2 = .04, F(1, 77) = 3.31, p = .073
	Medical	β = .20, t(74) = 1.76, p = .082	R^2 = .04, F(1, 74) = 3.11, p = .082
DE	Telco	β = .47, t(61) = 4.18, p < .001	R^2 = .22, F(1, 61) = 17.51, p < .001
	Bank	β = .13, t(77) = 1.12, p = .267	R^2 = .02, F(1, 77) = 1.25, p = .267
	Airline	β = .13, t(71) = 1.10, p = .276	R^2 = .02, F(1, 71) = 1.21, p = .276
	Medical	β = .41, t(77) = 3.89, p < .001	R^2 = .16, F(1, 77) = 15.14, p < .001

Note. US = United States; DE = Germany; Telco = telecommunications; Medical = medical services; predictor = internal economic locus of control; dependent variable = equity preference.
[a] The fairness scale in the US airline context comprises only two items (see Chapter 3.4.1).

Table A.23 *Study 1 and Study 2: Descriptive Statistics*

Perceived fairness of DCT	Study	United States *M* (*SD*)	Germany *M* (*SD*)
Telecommunications	1	3.46 (1.09)	3.88 (.98)
	2	3.21 (1.21)	3.72 (.90)
Bank	1	3.35 (1.16)	3.93 (.97)
	2	3.21 (1.25)	4.15 (.88)
Airline	1	2.95 (1.17)	3.50 (1.01)
	2	2.88 (.85)	3.31 (.83)
Medical services	1	4.14 (1.08)	4.33 (.82)
	2	4.22 (1.07)	4.42 (.75)

Note. DCT = differential customer treatment; *M* = mean; *SD* = standard deviation; fairness scale ranges from 1 = *fair* to 5 = *unfair*.

Table A.24 *Study 2: Statistics of Equity Preference Correlates Presented in Table 13*

	United States	Germany
Gender	$F(1, 301) = 8.71, p = .003$	$F(1, 292) = .13, p = .72$
Age	$r = .01, p = .86$	$r = -.01, p = .84$
Income	$F(2, 273) = 3.08, p = .04$	$F(2, 244) = 9.20, p < .001$
Education: Level	$F(1, 301) = 6.99, p = .01$	$F(1, 292) = 7.45, p = .01$
Education: Business	$F(1, 301) = 9.45, p = .002$	$F(1, 292) = 3.41, p = .07$
Political views	$F(1, 220) = 3.40, p = .06$	$F(1, 192) = 16.96, p < .001$
Household size	$r = -.05, p = .43$	$r = .07, p = .21$
Number of children	$r = -.04, p = .50$	$r = -.03, p = .64$

Appendix K: PLS and Bayesian SEM (Study 2)

The results of the PLS analyses are displayed in Figure A.1. The results of the Bayesian SEM are presented in Figure A.2 and Table A.25.

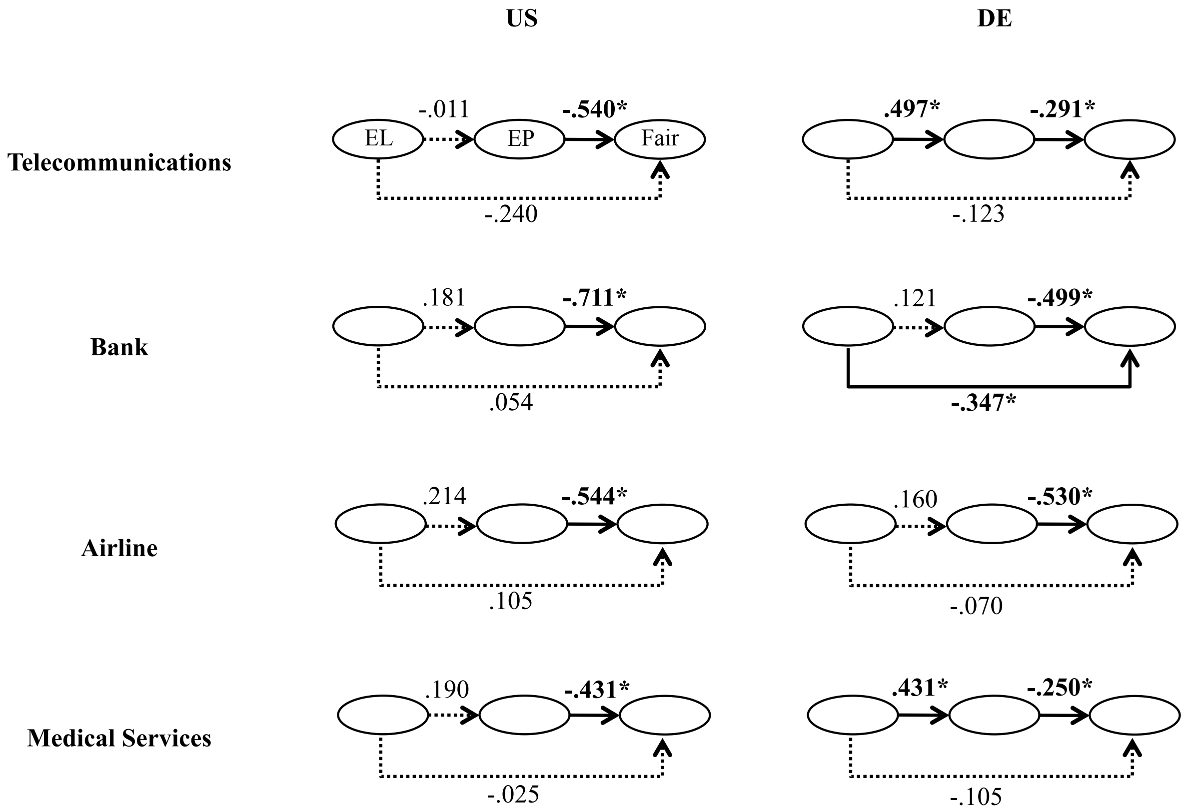

Figure A.1 Study 2: PLS Findings
US = United States; DE = Germany; EL = internal economic locus of control; EP = equity preference, Fair = perceived unfairness of differential customer treatment; *The bootstrapping method was used to test the significance of the path coefficients. Significance is achieved if t is greater than |1.96|. The R^2 of the PLS analyses are: $R^2_{US\_Telco}$ = .38, $R^2_{US\_Bank}$ = .49, $R^2_{US\_Airline}$ = .28, $R^2_{US\_Medical}$ = .20, $R^2_{DE\_Telco}$ = .14, $R^2_{DE\_Bank}$ = .36, $R^2_{DE\_Airline}$ = .30, $R^2_{DE\_Medical}$ = .10; usually, an R^2 of .30 is regarded as good (Huber, Herrmann, Meyer, Vogel, & Vollhardt, 2007).

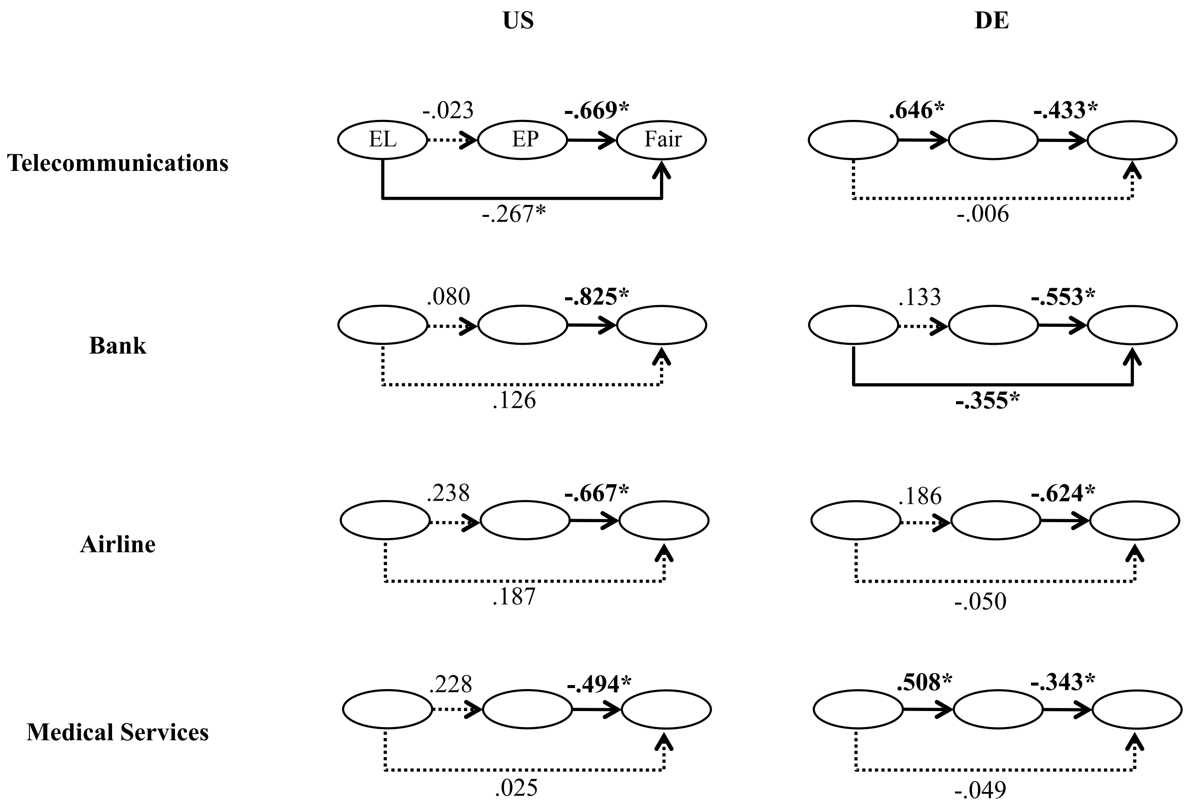

Figure A.2 Study 2: Bayesian SEM Findings

US = United States; DE = Germany; EL = internal economic locus of control; EP = equity preference; Fair = perceived unfairness of differential customer treatment; Overall, the presented pattern corresponds to the findings of Figure A.1 (with the exception of the significant relationship between economic locus of control and fairness in the US telecommunications sample). For fit indexes, see Table A.25.

*The 95% Bayesian credibility interval does not include zero.

Table A.25 *Study 2: Bayesian SEM—Model Fit*

Country	Industry	Model fit (*ppp*)	Convergence (PSR)	Indirect effect of EL on unfairness of DCT
US	Telecommunications	.24	1.03	.02
	Banking	.22	1.00	-.10
	Airline	.05	1.03	-.17
	Medical Services	.12	1.03	-.14
DE	Telecommunications	.09	1.02	-.28*
	Banking	.08	1.05	-.06
	Airline	.12	1.03	-.10
	Medical Services	.14	1.07	-.15*

Note. US = United States; DE = Germany; EL = internal economic locus of control; DCT = differential customer treatment; *ppp* = posterior predictive *p*-value; PSR = potential scale reduction. In this analysis, no prior information (i.e., a non-informative, diffuse prior) was included because findings in small samples rely (too) heavily on the prior (Lee & Song, 2004). To obtain an approximation of the posterior distribution of the parameters, the Gibbs sampler (a Markov chain Monte Carlo algorithm, MCMC) is used in MPlus. Thus a chain of simulated draws from a distribution is produced in which each draw is dependent on the previous draw (Greenberg, 2008). When using the Gibbs sampler, the estimated potential scale reduction (PSR) serves as a measure of convergence. The PSR approach tests if different iterative MCMC-chains do not converge to different values. PSR values should be close to 1 (Muthén, 2010), at least less than 1.20 (Lee, 2007). Because traditional fit indexes (like χ^2, CFI, or RMSEA) are not available when using the Bayesian estimator, measurement invariance analyses (like performed in Study 1) are not feasible. To assess model fit in the Bayesian SEM-framework, Meng (1994) has developed the *posterior predictive p-value*. The posterior predictive *p*-value permits to express the discrepancy between sample data and posited assumptions about the population (Meng, 1994). Neelon, O'Malley, and Normand (2011, p. 283) state that "a *p*-value close to 0.50 represents adequate model fit, while *p*-values near 0 or 1 indicate lack of fit." Moreover, they mention as a rule of thumb that a *ppp* in the range between 0.05 and 0.95 suggests sufficient fit.
*The 95% Bayesian credibility interval does not include zero.

Appendix L: Exemplary Company Claims Hinting at Social Norms

Table A.26 *Exemplary Company Claims Hinting at Social Norms*

	Self-presentation / claim	Company & online source
Services	"Like family"	*Johnson Bank* (http://www.johnsonbank.com/)
	"We truly care about you and your family's financial needs before profit"	*JMB Financial Services* (http://www.jmbfinancialservices.net/JMBHomepage)
	"We care about your assets, but most of all we care about you"	*Profile Finance S.A.* (http://www.profilefinance.com/site/news/index2.htm)
	"We want you as a customer for life, and treat you like a friend"	*Artsci Internet Company* (http://www.artsci.net/)
	"I'm lovin' it"	*McDonalds* (http://www.mcdonalds.com/us/en/home.html)
	"We treat you like family"	*Mark's Pizzeria* (http://www.markspizzeria.com/)
	"Wie ein guter Freund"	*Bäckerei Neff* (http://www.baeckerei-neff.de/unternehmen/wie-ein-guter-freund/)
	"Willkommen bei Freunden"	*TIPTOP Hotels* (http://www.tiptop-hotels.de/home.html)
Products	"A brand like a friend"	*Henkel* (www.designtagebuch.de/cd-manuals/Henkel_CI.pdf)
	"Ich liebe es"	*Astor* (http://www.youtube.com/watch?v=SWyfDwAl_KI)
	"Love it light"	*Coca-Cola light* (http://www.coke-light.de/)

Note. Online sources were accessed in January and April 2011. In this Table, providers that promise social norms in their relationship with customers are presented together with companies that promise that their products or services will create a 'love' relationship. A further list of companies using the word 'love' in their claims can be found in *brand eins* (2008) and in a book by Kilian (2009). Also note the concept of *Lovemarks* developed 2004 by *Saatchi & Saatchi* (http://www.lovemarks.com/).

Appendix M: Items and Stimuli (Project II)

In the introduction to the online experiment, respondents were told that they were going to participate in a 10-minute study for a doctoral dissertation at *Technische Universität München*. Personal socio-demographic questions (e.g., on income and political preferences) were not mandatory. Anonymity was ensured. Participants were encouraged to write down open comments at the end of the experiment, and my personal E-mail contact was provided for possible queries. The study was conducted in March 2011. The original study was in German (I translated the questionnaire, except for the baseline, for the present Appendix).

(Fairness) Baseline (see World Values Survey, 2006)

1. Do you think most people would try to take advantage of you if they got a chance, or would they try to be fair?

☐ Would take advantage
☐ Try to be fair

2. If you think of Germany's major companies, could you tell me how much confidence you have in them? (*Note*. This question was slightly adapted. In the World Values Survey, specific company names are inserted.)

☐ A great deal
☐ Quite a lot
☐ Not very much
☐ None at all

Random assignment to experimental conditions (3 × 2)

See Table 17 and Table 18 in Chapter 4.3.3 for the wording of the service provider's self-presentation (*friend*, *business partner*, *control group*) directed at either *existing* or *potential customers*.

Manipulation check (final scales)

What is your impression of the service provider *call & communicate*? Please answer the following questions on a scale from 1 = *agree not at all* to 5 = *agree very much*.

(Amicable)
call & communicate…

1. … really cares for its customers.
2. … really likes its customers.
3. … is amicable.

(Businesslike)
call & communicate…

1. … is profit-oriented.
2. … is business-oriented.

If *call & communicate* was a person, how would you picture this person?
(Items follow Aggarwal, 2004)

3. … like a business man.
4. … like a merchant.

(Honest)
call & communicate…

1. … is honest.
2. … is true and authentic.
3. … is credible.

Note. Based on EFA and reliability analyses, two items have been excluded from the amicable-scale (If *call & communicate* was a person, how would you picture this person? … like a friend; … like a family member). One item was excluded from the businesslike-scale (*call & communicate* … is rational and level-headed.)

Differential customer treatment

call & communicate has decided to implement a new customer management strategy. Please read the following text about the service provider's approach:

Like many other telecommunications providers, *call & communicate* has decided to treat its customers differently based on their profitability. The service provider classifies its customers into an ABC-classification. In short, this entails the following:

> <u>A-customers</u> are the company's best, most profitable customers (e.g., frequent callers). They are offered extra services and products (e.g., they receive new, cost-free cell phones more frequently, they can call an exclusive service-hotline for premium customers, and their waiting time is shorter in case of repair).
>
> <u>B-customers</u> are moderately profitable, 'average' customers. They are offered a good, standard service. Special services for premium customers are not available for this group.
>
> <u>C-customers</u> are loss-generating, unprofitable customers (e.g., customers who overuse their flat rates beyond an acceptable level because they are downloading too many movies, for example). These customers may be prompted to switch to a more expensive contract. Moreover, *call & communicate* reserves its right, in the general terms and conditions, to cancel their contracts—that is, to dismiss some of its own customers.

By applying the described measures, the company hopes to be able to keep up with its competitors.

Please answer the following questions. Classify your answer between the given adjective pairs.

1. *call & communicate* treats its best, profitable customers (A-customers) preferentially. I consider this:

Pleasing	☐	☐	☐	☐	☐	Irritating
Expected	☐	☐	☐	☐	☐	Unexpected
Fair	☐	☐	☐	☐	☐	Unfair

2. *call & communicate* treats its ‘average’ customers (B-customers) somewhat inferior to its best customers (A-customers). I consider this:

Pleasing	☐	☐	☐	☐	☐	Irritating
Expected	☐	☐	☐	☐	☐	Unexpected
Fair	☐	☐	☐	☐	☐	Unfair

3. *call & communicate* wants to dismiss its loss-generating, unprofitable customers (C-customers). I consider this:

Pleasing	☐	☐	☐	☐	☐	Irritating
Expected	☐	☐	☐	☐	☐	Unexpected
Fair	☐	☐	☐	☐	☐	Unfair

4. Please think of such differential customer treatment in general. How do you generally perceive the fact that many service providers classify their customers according to their profitability into A-, B-, and C-customers?

As a gain for the customer	☐	☐	☐	☐	☐	As a loss for the customer
As a plus for the customer	☐	☐	☐	☐	☐	As a minus for the customer

Further questions:

- Socio-demographics: Gender, age, highest completed level of education, household size, number of kids in household, household income, political attitudes (voting poll), and employment status (see Table A.5).

- Social desirability: 4 (yes/no) items randomly drawn from Stöber (1999)
    - In a dispute, I always remain objective and impartial.
    - No matter who I’m talking to, I’m always a good listener.
    - I like to gossip at times. (reversed)
    - I’m always courteous and friendly, even if I’m stressed.

- Active Membership (yes/no) in a social network.

Alternative scenario

In an extension of the second pretest of *Project II*, a further scenario was used in addition to the differential customer treatment one. This scenario described a *psychographic* segmentation (for results, see Chapter 4.4):

Like many other telecommunications providers, *call & communicate* strives to meet the needs, wishes, and preferences of their customers as well as possible.

To tailor its offers as precisely as possible to the needs of its customers, *call & communicate* has developed a customer typology in cooperation with a well-known market research institute. Based on market research data, *call & communicate* classifies its customers into 7 'need types.' Among these types are *sociable high-volume callers*, *price-conscious flat rate surfers*, and *design-loving smartphone enthusiasts*, for example.

By means of this typology, *call & communicate's* service employees are able to attune their offers to the customers' needs and preferences.

By applying the described measures, the company hopes to be able to keep up with its competitors.

Appendix N: Additional Analyses (Project II)

Table A.27 *Project II: Test of Regression Assumptions*

Group	Homoscedasticity (Glejser, 1969)	Normal distribution of residuals (Kolmogorov- Smirnov Test)
Friend	$p = .20$	$p = .20$
Business	$p = .08$	$p = .01$*
Control	$p = .17$	$p = .01$*

Note. Predictor: expectation of differential customer treatment; dependent variable: fairness of differential customer treatment; if Glesjer Test is significant (*$p < .05$), the assumption of homoscedasticity must be rejected; if Kolmogorov-Smirnov Test is significant (*$p < .05$), the assumption of a normal distribution must be rejected; multicollinearity is not tested because the regression involves only one predictor; although two normality tests are significant, the distributions do not deviate extremely from normality if the skewness and kurtosis criterion of ±2 × SES/SEK is applied (Tabachnick & Fidell, 2000).

Table A.28 *Project II: Descriptive Statistics*

		Expectation of DCT *M* (*SD*)	Fairness of DCT *M* (*SD*)
Friend	Potential customer	2.87 (1.16)	3.93 (.92)
	Existing customer	2.83 (1.03)	3.63 (.97)
Business	Potential customer	2.58 (1.23)	3.95 (.92)
	Existing customer	2.40 (1.13)	4.03 (.87)
Control	Potential customer	2.27 (1.10)	3.88 (.91)
	Existing customer	2.59 (1.20)	3.82 (.95)

Note. DCT = differential customer treatment; *M* = mean; *SD* = standard deviation; expectation and fairness were assessed using 5-point bipolar scales (1 = *expected/fair* and 5 = *unexpected/unfair*); statistical interaction (self-presentation type × customer status) is not significant: Wilk's Lambda $F(4, 474) = .99$, $p = .41$, $\eta^2 = .01$; $F_{expected}(2, 238) = 1.08$, $p = .34$, $\eta^2 = .01$; $F_{fair}(2, 238) = .87$, $p = .42$, $\eta^2 = .01$.

Appendix O: Overview of Empirical Studies Conducted

Overview of Empirical Studies

(respective Chapter in parentheses)

Project I

Do US and German Consumers Differ?

- Qualitative pre-study (Appendix E):
  - *N* = 7 consumers
  - *N* = 11 experts
- Pretest Study 1 (Chapter 3.3.1):
  - *N* = 46
- **Study 1** (main study, Chapter 3.3):
  - *N* = 271 (DE), *n* = 134 (post-test)
  - *N* = 260 (US), *n* = 127 (post-test)
- Additional student survey (Chapter 3.3.4):
  - *N* = 395
- **Study 2** (main study, Chapter 3.4):
  - *N* = 294 (DE)
  - *N* = 303 (US)

Project II

How Should Firms Present Themselves?

- Pretest 1 (Chapter 4.3.3):
  - *N* = 40
- Pretest 2 (Chapter 4.3.3):
  - *N* = 57
- **Study 1** (main study, Chapter 4.3):
  - *N* = 244
- Additional student survey (Chapter 4.4):
  - *N* = 56

Figure A.3 Overview: Empirical Studies of this Thesis

List of Appendixes

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7 References

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