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Perceived Fairness of Differential Customer Treatment: Consumers' Understanding of Distributive Justice Really Matters

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Abstract

Following the principles of relationship marketing, many service providers treat customers differently based on their profitability. We investigate consumers' fairness perceptions of such differential customer treatment in two major service economies, the United States and Germany. Applying the concept of distributive justice to differential customer treatment, we find that consumers' preference for the principle of equity versus the principle of equality predicts fairness perceptions in both countries. We also find that consumers' reactions to nonpreferred treatment are more intense than their reactions to preferred treatment. That is, results indicate that not only does customers' understanding of distributive justice have an influence, but also the principle of loss aversion comes into play when differential customer treatment is examined from the consumers' perspective. We also investigate differences between U.S. and German consumers and find that U.S. consumers perceive differential customer treatment as less unfair. Though rather critical of differential treatment at large, we also find that German consumers report reacting more positively when preferred. Although fairness is an issue, results overall show that most service providers should not refrain from differential customer treatment. Because, generally, consumers do not seek complete equality and like to be preferred, service providers applying differential treatment need to clearly communicate the equity principle and to make sure to treat their best customers preferred—without treating other customers badly. We also recommend including customers' fairness perceptions as a key performance indicator in firms' market research plans and considering regional adjustments rather than standardized practices when applying differential treatment strategies in different countries.

Keywords

differential customer treatment, fairness, distributive justice, equity, global customer relationship management

Introduction

Since the rise of relationship marketing, many service providers have learned from long-term profitability analyses that not all of their customer relationships result in profits. Consequently, more and more service providers—for example financial service providers and telecommunications companies—have systematically aligned their services to customer profitability in recent years (Homburg, Droll, and Totzek 2008). 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 preferential, special treatment of a given firm's most profitable customers at one extreme (Gwinner, Gremler, and Bitner 1998), and the divestment of a given firm's persistently unprofitable customers at the other extreme (Mittal, Sarkees, and Murshed 2008). Put in everyday language, the idea that *the customer is always right* has expired. Clark (2004) even speaks of a *fire your customers-era*.

The approach to foster profitable exchanges *and* to weaken or even terminate unprofitable ones (Zeithaml, Rust, and Lemon 2001) has been applied in different countries. There is evidence from the United States (Selden and Colvin 2003) and Germany (Homburg, Droll, and Totzek 2008), for example, that companies which focus on their top-tier customers achieve better financial performance. Negative press articles in both countries, however, also indicate that differential customer treatment is not without controversy and may be perceived as unfair (e.g., Brady 2000; MSN Money 2007; Vedix News 2007).

Possible pitfalls of differential customer treatment have been mentioned in the academic relationship marketing literature as well. Preferential treatment has been described as "philosophically divisive" (Lacey, Suh, and Morgan 2007, p. 241), and customer divestment has even been called a

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"taboo" topic (Mittal and Sarkees 2006, p. 84). On a more general level, Fournier, Dobscha, and Mick (1998, p. 44) advise practitioners not to forget that "relationships take two." That is, relationship marketing should not only focus on the value of customers *for* the company—but also on the value customers derive *from* the firm (also see Gupta and Lehmann 2005). In this context, perceptions of service fairness can be regarded as crucial (Seiders and Berry 1998). Boulding et al. (2005, p. 160), however, note that in the field of relationship marketing, "much is still unknown about the standards customers use to determine whether the firm is acting fairly."

Because many service providers—such as airlines, banks, or telecommunications companies—offer their differentiated services across national borders, it is also important to know whether consumers in different countries perceive differential customer treatment as similarly fair or unfair. Following Ramaseshan et al. (2006), different fairness perceptions would constitute a social and cultural challenge for service providers in the context of global customer relationship management. To date, however, empirical research on consumers' perceptions of differential customer treatment is extremely scarce. Current research either takes the management perspective (e.g., Thompson 2011) or investigates consumers' attitudes toward customer divestment in a single country (Haenlein and Kaplan 2010, 2011).

Taking these research gaps as a starting point, this article aims to examine the fairness standard that consumers apply when evaluating differential customer treatment. Because differential customer treatment mainly implies an unequal distribution of goods and services and because outcome distributions tend to be more important than processes in individuals' fairness perceptions (Finkel 2000), we focus on consumers' understanding of distributive justice in the context of differential customer treatment. That is, we concentrate on the outcome distribution consumers consider fair and investigate whether a preference for the principle of equity (i.e., a preference for proportionality of inputs and outcomes) or a preference for the principle of equality (i.e., a preference for equality of outcomes, independent of inputs) makes a difference in consumers' minds when evaluating differential customer treatment. Moreover—since we investigate consumers' fairness perceptions in two different service economies, the United States and Germany—we are also able to consider possible country differences in fairness perceptions. 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 because, as Hochschild (1981) suggests, U.S. Americans differ from Europeans in their understanding of distributive justice.

Hence, this work strives to answer the following research questions: What is the standard that consumers use to determine whether differential customer treatment is fair or unfair? Is this standard used across countries? If country differences emerge, how can they be explained? And finally, what are the consequences of consumers' fairness perceptions of differential customer treatment?

In sum, we strive to make two contributions to the debate on differential customer treatment: First, this work makes a theoretical contribution in analyzing the relevance of consumers' understanding of distributive justice in the context of differential customer treatment. Second, it develops and discusses managerial implications that can be derived from consumers' fairness perceptions of differential treatment—also in terms of country differences. In particular, this work will be of interest to international companies that engage in relationship marketing activities. Overall, the managerial recommendations of our research will help to build well-functioning relationships between service providers and customers.

Differential Customer Treatment

Background

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 consumers to engage in marketing exchanges. Yet, the differentiation of customer relationships has gained importance within the context of relationship marketing. The concept of customer profitability—the "net dollar contribution made by individual customers to an organization"—is usually considered the key "metric for the allocation of marketing resources to consumers and market segments" (Mulhern 1999, p. 26). Although the measurement of (future) profitability can be an intricate matter (Malthouse and Blattberg 2005), the computation of profitability and the accordingly differentiated treatment of customers have been described as financially successful for many service providers (see Selden and Colvin 2003; Zeithaml, Rust, and Lemon 2001). Because this article does not focus on the mathematical but on the marketing challenges associated with customer profitability analyses (for this distinction, see Bechwati and Eshghi 2005), details on profitability calculations are not further elaborated on here.

Conceptualization

As mentioned in the introduction, we use the expression *differential customer treatment* as an umbrella term that captures all systematic profitability-based gradations of service to customers. Telecommunications providers, for instance, may set up exclusive service hotlines for their premium customers. On the contrary, they may terminate contracts with unprofitable customers who use their flat rates (unlimited usage) to an excessive extent (Focus 2008). Banks sometimes offer special rates to profitable customers, whereas they may refuse to open accounts for overindebted consumers (Federation of German Consumer Organizations 2007).

Differential treatment is usually directed at developing more customers into profitable ones. Customer divestment is only an "option of last resort" (Mittal, Sarkees, and Murshed 2008, p. 96). Some authors have also emphasized that service providers need to refrain from business models or offers that allow customers to become unprofitable in the first place (e.g., Haenlein and Kaplan 2009).

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 refers to ideologically motivated discrimination, whereas differential customer treatment is only economically motivated (yet, it is possible that both forms of differential treatment co-occur). Bottom of the pyramid research is akin to differential customer treatment because low-income consumers are more likely to be unprofitable than high-income consumers are. 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. Overall, similar marketing themes either involve a differentiated treatment of customers or the loss of customers—still, these topics can be distinguished from differential treatment as defined in this article because either the basis for differential treatment is not preexamined customer profitability or the termination of service is not initiated by the service provider.

Differential Customer Treatment and Service Fairness

Fairness perceptions are of great importance in the context of service and relationship marketing. Whenever transactional exchanges evolve into relational ones and whenever a firm's offers are intangible and thus difficult to evaluate, fairness perceptions are crucial (Gundlach and Murphy 1993; Seiders and Berry 1998). 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 and Lusch 2004).

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 three types of justice, distributive, procedural, and interactional justice—a distinction that has become prevalent both in service research (McColl-Kennedy and Sparks 2003) and in organizational contexts (Cohen-Charash and Spector 2001). Because differential customer treatment mainly implies an unequal distribution of goods and services—and because outcome distributions tend to matter more than processes in individuals' fairness perceptions (Finkel 2000)—the principles of distributive justice will be introduced in more detail in the following sections.

In general, distributive justice refers to the proportionality of inputs and outputs. If inputs and outputs behave exactly proportionally, equity is obtained. If outputs are allocated independently of inputs to ensure an equal allocation of resources, equality is obtained (Seiders and Berry 1998). Sometimes, three principles of distributive justice are conceptually distinguished—equity, equality, and need (Deutsch 1975). Still, we follow Rasinski (1987, p. 204), who has illustrated empirically that "multiple principles are internally represented as two dimensions" that can be labeled equity and equality.

From the equity perspective, differential customer treatment can be considered fair. That is, only customers with high inputs (e.g., many substantial purchases over time) can expect high outputs (e.g., extra services). An ongoing investment in persistently unprofitable customers could be regarded as a waste of resources.

From the equality perspective, however, differential treatment can be considered unfair: Several authors have cautioned against a *consumer apartheid* or social exclusion of consumers (e.g., Brady 2000). 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.

Previous research (Davey et al. 1999; Rasinski 1987) has shown that individuals display stable differences in terms of their preference for equity or equality. Because fairness preferences are not consistently related to individuals' self-interest and personal advantage (Fehr and Schmidt 1999), they can be considered an expression of the human justice motive (Lerner 2003). In this article, we apply the idea of individual differences in the preference for equity versus equality to the context of differential customer treatment.

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

Unfairness perceptions can lead to vindictive consumer reactions (Seiders and 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 nonpreferred *and* preferred treatment. Similarly, equity theory (Adams 1963) predicts that individuals perceive distress when they feel that they are under- or overbenefited. 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, we assume that consumers who consider differential customer treatment unfair in general will not jettison their principles completely when they are preferred themselves. Hence, we assume that consumers who prefer the equality principle and thus consider differential customer treatment unfair will also feel distress (i.e., feel overbenefited) if treated preferentially (i.e., a social comparison with other consumers who receive less is involved).

Hypothesis 2a: The more unfair consumers perceive differential customer treatment, the more negatively they react to nonpreferred treatment.

Hypothesis 2b: The more unfair consumers perceive differential customer treatment, the more negatively they react to preferred treatment.

That is, fairness is considered a mediator variable—mediating the relationship between equity preference and the reaction to preferred/nonpreferred treatment. Because we also aim to understand possible differences in fairness perceptions of differential customer treatment in the United States and Germany, the following section highlights this perspective.

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 major, advanced economies with a strong service sector (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 name a few. Furthermore, it can be assumed that both countries hold the same fairness baseline. That is, data from the World Values Survey (2006) show that U.S. 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). Moreover, both countries can be described as modernized, historically, Protestant Western cultures (Inglehart and Baker 2000) with strong similarities in terms of Hofstede's classic power distance dimension that pertains to attitudes toward unequal distribution of power (Hofstede 2001). Although the United States and Germany are alike in these aspects, differences in the perceived fairness of differential customer treatment are nonetheless likely.

In the social sciences, there is abundant empirical evidence that U.S. Americans are an exceptional, special case when it comes to attitudes toward economic inequalities and distributive justice (Lipset 1996). It has been shown, for example, that most U.S. 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 and Smith 1986, p. 141). Lane (2004, p. 217) even speaks of a "fear of equality." Interestingly, this disapproval of equality of outcome is not only widespread among the country's upper echelons, as shown in a quantitative study among leaders from different sectors (Verba and 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 and Smith 1986).

Hochschild (1981) demonstrates in her work 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, pp. 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 are 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 and 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 and Tirole 2006, p. 700). That is, redistribution and equality are valued higher. Thus, although culture does not necessarily coincide with national borders, this article follows authors (e.g., Steenkamp 2001) who have emphasized that country comparisons are meaningful—because within-country communalities are usually higher than between-country communalities.

In this article, 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 society. In contrast to the United States, Germany has not only experienced a socialist movement in history, but Germans are also skeptical about the currently rising 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 and in academia (e.g., Hradil 2006). Following research on different collective beliefs about distributive justice in Germany (Europe) and the United States as well as the reasoning of the previous section, we hypothesize that:

Hypothesis 3: U.S. consumers display a stronger preference for equity than German consumers.

Hypothesis 4: U.S. consumers consider differential customer treatment less unfair than German consumers.

Hypothesis 5a: U.S. consumers react less negatively to nonpreferred treatment than German consumers.

Hypothesis 5b: U.S. consumers react less negatively to preferred treatment than German consumers.

Thus, the same structure is expected to hold both in the United States and Germany (Hypothesis 1–Hypothesis 2), but country differences are assumed in mean levels (Hypothesis 3–Hypothesis 5). To test our hypotheses, we conducted a consumer survey in both countries.

Study 1: Method

Participants

We examined the presented hypotheses using a descriptive, within-subject design. A consumer online survey was conducted in the United States (U.S.) and Germany (DE). The samples ($N = 260$ U.S. and $N = 271$ German respondents) were provided by a consumer panel provider and stratified by gender (50% women in the United States and 53% women in DE), age (range in both countries was 18–65 years; $M_{\mathrm{US}} = 41.96$ years, $SD_{\mathrm{US}} = 13.61$; $M_{\mathrm{DE}} = 42.94$ years, $SD_{\mathrm{DE}} = 12.83$), and

Table 1. Study 1: Structural Equation Model Findings.

Relationship	Telco U.S.	Telco DE	Bank U.S.	Bank DE	Airline U.S.	Airline DE	Medical U.S.	Medical DE
Hypothesis 1: Equity preference → Unfairness	−.50*	−.52*	−.59*	−.47*	−.31*	−.42*	−.39*	−.31*
Hypothesis 2a: Unfairness → Negative reaction nonpreferred	.41*	.53*	.53*	.47*	.58*	.52*	.60*	.61*
Hypothesis 2b: Unfairness → Negative reaction preferred	.44*	−.05	.47*	.03	.51*	.17	.26*	.01
Equity preference → Negative reaction nonpreferred	.05	.12	.16	−.01	.10	−.07	−.08	−.03
Equity preference → Negative reaction preferred	−.03	−.42*	.05	−.43*	.13	−.40*	−.17	−.34*

Note: U.S. = United States; DE = Germany; Telco = telecommunications; medical = medical services; unfairness = perceived unfairness of differential customer treatment.
*p < .001.

education (85% with high school diploma in the United States, and 40% with university entrance diploma in DE; education levels were chosen on the basis of data from the U.S. Census Bureau and from the Federal Statistical Office Germany).

To assess the retest reliability and to 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 U.S. and n = 134 German respondents).

Materials and Procedure

The questionnaire comprised three parts. At first, respondents were presented four company vignettes (telecommunications provider, bank, airline, and medical services) in random order. These vignettes, which had been pretested in a small sample including marketing academics (N = 46), described typical measures by which the given service provider is differentiating between profitable/unprofitable customers (see Appendix A). The respective industries and the described differential treatment strategies were selected on the basis of press searches, a query at the Federation of German Consumer Organizations, and a qualitative prestudy that involved interviews with experts from different industries and consultancies (N = 11) as well as consumers who shared their personal experience of differential customer treatment (N = 7). After each vignette, respondents were asked how fair they perceived the described differential treatment strategies and how they would react in terms of affect, word of mouth, and loyalty intentions if either preferred or nonpreferred by this respective service provider (see Appendix A).

In the second part of the questionnaire, respondents were asked questions pertaining to several values and traits, including social desirability (Crowne and Marlowe 1960) and their general preference for equity versus equality in economic exchanges. This equity preference scale comprised 3 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. Following Podsakoff et al. (2003), the scale format was varied (see Appendix A). The third part of the questionnaire comprised sociodemographic questions.

Measurement Properties

Prior to testing our hypotheses, psychometric scale properties were assessed. In sum, measurement quality is satisfactory (see Appendix A) and common method bias is no cause for concern. To assess common method bias, we looked at the associations between equity preference (second assessment $n_{\mathrm{US}} = 127$ and $n_{\mathrm{DE}} = 134$) and unfairness of differential treatment (first assessment): They ranged from −.13 (DE, medical services; p >.05) to −.45 (DE, telecommunications; p < .05). Overall, six of the eight associations reach significance (p < .05). The associations are generally somewhat lower than the associations of the complete samples in the first assessment (see Table 1), but they all point in the expected direction. To further assess common method bias, we performed *Harman's single-factor test* using a confirmatory factor analysis. The single-factor solution yielded a poor fit, $\chi^2(df)$ = 5978.74 (558), root mean square error of approximation (RMSEA) = .19, standardized root mean square residuals (SRMR) = .21, comparative fit index (CFI) = .35, and Tucker Lewis index (TLI) = .38, whereas the hypothesized four-factor solution yielded a close fit (see partial scalar model below). In addition to these tests, we find that consumers of both countries do not differ in their level of social desirability, $F(1, 529) = 2.28$, $p = .13$, and that the order of the company vignettes shows no substantial effect on the respondents' fairness evaluations. Moreover, measurement invariance analyses showed that partial scalar invariance can be inferred. Thus (mean) comparisons between countries and industries are meaningful (Steenkamp and Baumgartner 1998). Hypotheses were tested using the partial scalar model, $\chi^2(df)$ = 721.40 (466), RMSEA = .045, SRMR = .052, CFI = .97, TLI = .97.

Study 1: Results

As shown in Tables 1 and 2, the test of the structural hypotheses (Hypothesis 1–Hypothesis 2) reveals that equity preference is a good predictor of consumers' unfairness perceptions of differential customer treatment in all groups (support for Hypothesis 1). Unfairness perceptions, in turn, predict consumers' reactions to nonpreferred treatment (support for Hypothesis 2a). In terms of preferred treatment, however, unfairness

Table 2. Study 1: Dependent Variables—Explained Variance.

Dependent Variables R^2	Telco		Bank		Airline		Medical	
	U.S.	DE	U.S.	DE	U.S.	DE	U.S.	DE
Unfairness	.25	.27	.35	.22	.10	.17	.15	.10
Reaction nonpreferred	.15	.23	.20	.22	.31	.30	.34	.39
Reaction preferred	.21	.16	.20	.20	.24	.25	.14	.12

perceptions only predict consumers' reactions in the United States but not in Germany (partial support for Hypothesis 2b). In line with this pattern, mediation tests (Preacher and Hayes 2004; Zhao, Lynch, and Chen 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 nonpreferred treatment (i.e., the bootstrap test of Preacher and Hayes leads to 95% confidence intervals that do not include zero in all eight tests; the indirect structural equation modeling [SEM] results are also in accordance with the bootstrap tests). In Germany, however, this is only true for nonpreferred treatment (i.e., the Preacher and Hayes intervals are only significant in the four tests involving reaction to nonpreferred 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 treatment is nonpreferred. In the case of preferred treatment, they bypass thoughts about fairness.

Subsequent to the structural hypotheses (Hypothesis 1–Hypothesis 2), we tested our mean-level hypotheses (Hypothesis 3–Hypothesis 5). Contrary to Hypothesis 3, U.S. and German respondents do not display differences in terms of their equity preference. In both countries, consumers favor a balance between equity and equality ($M_{\mathrm{US}} = 2.68$, $SD_{\mathrm{US}} = .78$; $M_{\mathrm{DE}} = 2.65$, $SD_{\mathrm{DE}} = .82$; due to variation in the scale format, the maximum value of this scale is 4.33; $F(1, 529) = .15$, $p = .70$). Although U.S. and German respondents do not differ in their level of equity preference, significant differences in their fairness perceptions of differential customer treatment are found, as predicted in Hypothesis 4. Figure 1 demonstrates that U.S. respondents perceive differential treatment as less unfair in all investigated industries (telecommunications: $F(1, 529) = 22.47$, $p < .001$; banking: $F(1, 529) = 39.21$, $p < .001$; air travel: $F(1, 529) = 33.23$, $p < .001$; medical services: $F(1, 529) = 5.17$, $p = .02$).

In terms of consumers' reaction intentions, Figure 2 shows that U.S. respondents report reacting less negatively than German respondents when receiving nonpreferred treatment in the context of telecommunications, $F(1, 529) = 15.42$, $p < .001$, and banking, $F(1, 529) = 15.72$, $p < .001$. The mean differences in the context of air travel, $F(1, 529) = 1.67$, $p = .19$, and medical services, $F(1, 529) = 2.07$, $p = .16$, do not reach significance (partial support for Hypothesis 5a).

Contrary to the hypothesis that U.S. consumers would react less negatively (i.e., more positively) to preferred treatment than German consumers (Hypothesis 5b), the mean pattern of Figure 2 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: $F(1, 529) = 40.18$, $p < .001$).

Furthermore, the answer pattern displayed in Figure 2 reveals that consumers' reactions to nonpreferred treatment are more extreme than consumers' reactions to preferred treatment. That is, in both countries and across industries, *t* tests comparing the distance of consumers' reaction to preferred treatment and nonpreferred treatment to the neutral scale mean reach significance in all eight tests; $t(259)$ values in the U.S. sample range from 15.06 to 22.72, $p < .001$; and $t(270)$ values in the German sample range from 10.97 to 35.40, $p < .001$.

In short, Study 1 reveals *that* and *how* U.S. consumers and German consumers differ when it comes to fairness perceptions of differential customer treatment. However, it 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. To corroborate and to extend these findings, we set up a follow-up study.

Study 2

The purpose of our second, follow-up study was twofold. First, we aimed to replicate the country differences in consumers' fairness perceptions using a different sample and study design. Second, we aimed for a better explanation of country differences in consumers' fairness perceptions.

To this end, we used a pre-experimental, between-subject design (Campbell and Stanley 1963). That is, respondents in our online follow-up study ($N = 303$ U.S. and $N = 294$ German respondents) were randomly assigned to only one of the four company vignettes that were used in the previous study (see Appendix A; cell sizes varied between $n = 63$ and $n = 81$; samples were stratified by gender, age, and education). To explain country differences, we not only reassessed consumers' preference for equity versus equality (see Appendix A) but also consumers' economic locus of control (Furnham 1986; Mirels and Garrett 1971; see Appendix A). That is, we expected that 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 treatment comes unmerited.

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

Overall, the follow-up study replicates the results of our previous study. That is, the more consumers prefer the principle of equity to the principle of equality in economic exchanges, the

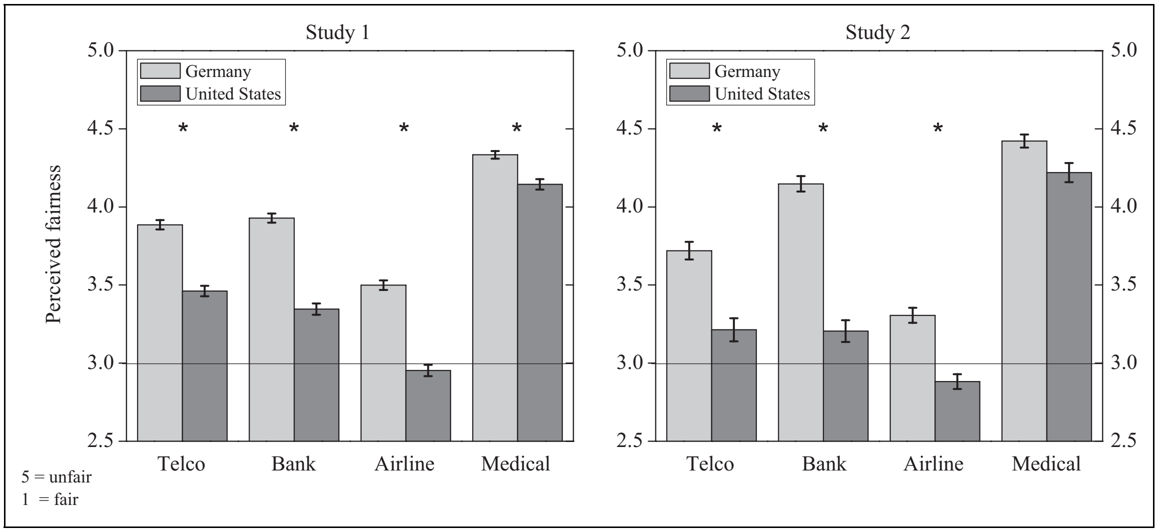

Figure 1. Study 1 and Study 2: Perceived fairness of differential customer treatment in the United States and Germany. *Note*: *p < .05; Telco = telecommunications; medical = medical services; error bars represent standard errors of the mean; 3 = neutral scale mean; differences between fairness perceptions 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: $t_{\text{Bank\_Germany}}(348) = -1.91$, $p = .06$; $t_{\text{Telco\_United States}}(325) = 1.63$, $p = .11$).

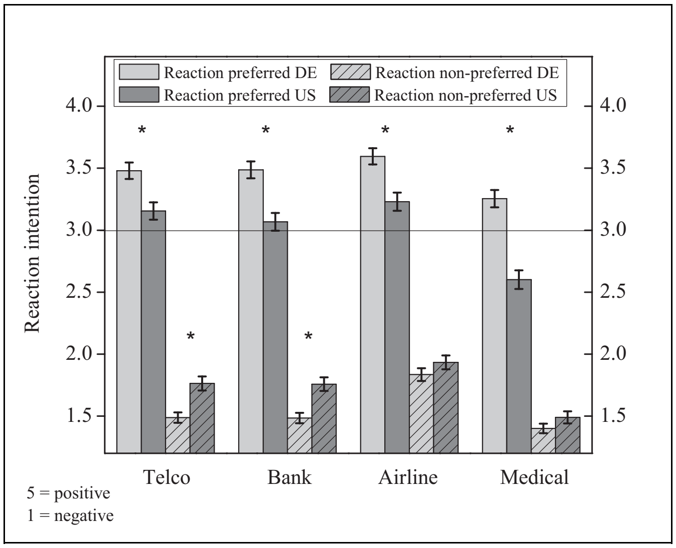

Figure 2. Study 1: Intended reactions to preferred and nonpreferred treatment in the United States (U.S.) and Germany (DE). *Note*: *p < .05 refer to country differences; Telco = telecommunications; medical = medical services; error bars represent standard errors of the mean; 3 = neutral scale mean.

less unfair they perceive differential customer treatment (support for Hypothesis 1; 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 U.S. bank sample; R^2 ranging from .08 to .50, respectively). Moreover, U.S. and German respondents do not differ in their mean level of equity preference (again no support for Hypothesis 3; $M_{\text{US}} = 2.86$, $SD_{\text{US}} = 1.03$; $M_{\text{DE}} = 2.98$, $SD_{\text{DE}} = 1.02$; the maximum value of this scale is 5.00; $F(1, 595) = 2.14$, $p = .14$). In terms of country differences in consumers' perceived fairness of differential customer treatment (Hypothesis 4), Figure 1 illustrates that the mean pattern of Study 2 corresponds to the mean pattern of Study 1, with the exception of the medical services context. U.S. respondents consider differential customer 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, $F(1, 153) = 1.87$, $p = .17$. Although industry differences are not the focus of our research, it is also notable that consumers generally regard differential treatment as most acceptable in the airline context and as least acceptable in the medical services context in both studies (also see Figure 1). Please also note that—because we focused on a replication and better explanation of consumers' fairness perceptions—we did not retest consumers' reaction intentions in our short follow-up study (i.e., we did not retest Hypotheses 2 and 5).

With regard to consumers' economic locus of control, we found that U.S. consumers are characterized by significantly stronger internal economic locus of control beliefs than German respondents ($M_{\text{US}} = 3.88$, $SD_{\text{US}} = .78$; $M_{\text{DE}} = 3.26$, $SD_{\text{DE}} = .93$; $F(1, 595) = 78.67$, $p < .001$)—a finding that is in line with a multitude of earlier works (e.g., Alesina, Glaser, and Sacerdote 2001; Bénabou and Tirole 2006; Lipset 1996). Yet, economic locus of control only predicts fairness perceptions of differential customer treatment in two German subsamples (telecommunications: β = −.25, $t(61) = -2.05$, $p = .04$, $R^2 = .06$; bank: β = −.43, $t(77) = -4.15$, $p < .001$, $R^2 = .18$). No direct effects are found in other groups (partial support for Hypothesis 6). Thus, the role of economic locus of control beliefs in explaining fairness perceptions of differential treatment is limited.

Table 3. Study 1 and Study 2: Summary of Findings.

Hypotheses	Study 1: Findings	Study 2: Findings
Theoretical Effects		
Hypothesis 1: The more consumers prefer the principle of equity to the principle of equality in economic exchanges, the less unfair they consider differential customer treatment	Confirmed	Confirmed
Hypothesis 2a: The more unfair consumers perceive differential customer treatment, the more negatively they react to nonpreferred treatment	Confirmed	Not tested
Hypothesis 2b: The more unfair consumers perceive differential customer treatment, the more negatively they react to preferred treatment	Partly confirmed	Not tested
Country Differences		
Hypothesis 3: U.S. consumers display a stronger preference for equity than German consumers	Not confirmed	Not confirmed
Hypothesis 4: U.S. consumers consider differential customer treatment less unfair than German consumers	Confirmed	Confirmed[a]
Hypothesis 5a: U.S. consumers react less negatively to nonpreferred treatment than German consumers	Partly confirmed	Not tested
Hypothesis 5b: U.S. consumers react less negatively to preferred treatment than German consumers	Not confirmed	Not tested
Theorectial Effects		
Hypothesis 6: The more strongly consumers believe in internal causes for economic success, the less unfair they perceive differential consumers treatment	Not tested	Partly confirmed

[a]Yet, Study 2 showed no differences in terms of medical services.

Summary

With the rise of relationship marketing, the validity of truisms such as *the customer is king* has expired. Since service firms increasingly implement differential customer treatment—and since firms also need to consider cross-national differences in consumers' perceptions when operating across national borders—an analysis of the consumer perspective is long overdue. In sum, the research questions raised in the introduction can be answered as follows: Consumers' understanding of distributive justice—that is, their preference for the principle of equity versus the principle of equality in economic exchanges—is a standard that consumers use across countries to determine whether differential customer treatment is fair or unfair. That is, consumers' equity preference predicts their fairness perceptions of differential customer treatment to a substantial degree. Contrary to our hypothesis, however, U.S. consumers do not report a higher equity preference than German consumers, a balance between equity and equality is favored in both countries. Still, U.S. consumers perceive differential customer treatment as less unfair in the context of telecommunications, banking, and air travel. Evidence in the context of medical services is mixed, with Study 1 showing that U.S. consumers are less fairness-concerned in this context as well but with Study 2 showing no country differences. Consistent with their fairness evaluations, U.S. consumers report reacting less negatively than German consumers when receiving nonpreferred treatment in the context of telecommunications and banking. Although German consumers consider differential customer treatment more unfair, they report reacting more positively than U.S. consumers when receiving preferred treatment in all investigated industries. Moreover, it is noticeable within both countries that negative reactions to nonpreferred treatment are more intense than positive reactions to preferred treatment. In addition to this summary, Table 3 gives a detailed overview of our findings in terms of each hypothesis and study.

Discussion

Theoretical Effects

From a theoretical perspective, two findings are particularly noteworthy. First, in terms of consumers' fairness perceptions of differential treatment *in general*, their understanding of distributive justice (i.e., their preference for the principle of equity vs. the principle of equality) appears to be of major importance. That is, the principles of distributive justice are, as expected, an important fairness standard in consumers' minds when evaluating differential customer treatment. Finkel (2000, p. 900), however, has noted that individuals' fairness claims are usually not built up from "lofty concepts." Thus, many consumers are probably not aware of the concept of distributive justice—although they apply it when thinking about differential customer treatment. Apart from the focus on distributive justice, our second study has shown that consumers' attribution of outcomes (i.e., differential treatment) as either merited or unmerited seems to play a role in Germany as well. This finding could be underscored by future research, in which different levels of customer responsibility for economic success could be primed.

Second, in terms of consumers' reaction intentions when *personally affected* by differential treatment, we observe in both countries that consumers' reactions to nonpreferred treatment are more extreme than consumers' reactions to preferred treatment. This observation may be explained by the principle of loss aversion. This principle states that, in human decisions, "losses loom larger than gains" (Kahneman and Tversky 1984, p. 346). That is, a potential loss (nonpreferred treatment) has a greater effect than a potential gain (preferred treatment). 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, and 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. 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.

Country Differences

As expected, consumers' preference for equity versus equality is an underlying principle in their evaluation of differential treatment. Yet, surprisingly, U.S. consumers do not display a strong preference for the equity principle as suggested by the classic literature on this topic (e.g., Hochschild 1981; Kluegel and Smith 1986). Our findings rather follow more recent research from Osberg and Smeeding (2006, p. 470) who put forward that U.S. Americans ''do not stand out as particularly different from other countries in general attitudes toward inequality.'' In addition, Fong (2001, p. 232) finds, using U.S. social survey data, that ''a majority of the respondents report support for redistribution''—although the majority also believes, in line with our second study, that there is a lot of opportunity to make an effort and to meet with success. Hence, it is possible that the (motivated) belief in equality of opportunity is culturally ingrained 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. That is, U.S. consumers may have grown up with the credo that success is dependent upon effort and that people are captains of their own ship, but everyday life may provide incongruous experiences (Bénabou and Tirole 2006), leading to a certain approval of redistribution. Because both our research and recent studies (e.g., Fong 2001; Osberg and Smeeding 2006) show a trend toward more equality and less equity in U.S. Americans' social preferences (i.e., compared to research from the 1980s), it would be an interesting sociological question to examine whether we can speak of a stable temporal trend. The recent *Occupy WallStreet* movement focusing on economic and social inequalities may be seen as a further example that reflects a changing attitude in the U.S. population (The New York Times 2012). Besides this potential temporal trend, it is possible that the U.S. emphasis on individual philanthropic (i.e., equality-enhancing) commitments, which is due to the rejection of a powerful central state (Lipset 1996), may also contribute to U.S. consumers unexpectedly low level of equity preference.

In line with our expectations, U.S. consumers perceive differential customer treatment as less unfair—yet the medical services context seems to be an exception. Unfairness perceptions are quite strong in both countries, and our follow-up study revealed no substantial country differences in this context. This exception may be due to the overwhelmingly high value that is attached to health across countries (Wallston 1991). Findings from our qualitative prestudy ($N = 7$ consumers) also point to this interpretation of a hierarchy of consumer needs (Drakopoulos and Karayiannis 2007). In these interviews, participants described health as a basic right and such an important good that differential treatment based on profitability would be improper in this context. It is possible, however, that this finding may be explained by further factors, for example, switching costs. In the airline context, for instance, 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 is valued highly but may not be easily found and attained again.

In terms of consumer reactions, the German consumers' responses are striking. Even though they consider differential treatment more unfair, they generally report reacting more positively when preferred. 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 nonpreferred 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–output ratio with the input–output ratio of a referent other, it is possible that German consumers do not compare their ratio to the ratio of other consumers but 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 being treated in a preferred manner. Clearly, further research is needed to clarify this aspect.

Finally, our follow-up study provides first evidence that U.S. consumers' strong belief in the link between effort and success is unrelated to their fairness perceptions of differential treatment, whereas we find two direct effects in Germany. U.S. consumers seem to evaluate differential treatment primarily based on their understanding of distributive justice (i.e., their equity preference). U.S. consumers with a high equity preference, for example, consider preferential treatment of profitable customers fair because the customers' inputs (e.g., payments) are high. That is, U.S. consumers do not take into consideration whether 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 example. In sum, German consumers show a tendency to grant customers preferential treatment only if it is based on the customers' own efforts, whereas U.S. consumers appear to grant customers preferential treatment without wondering about the customers' effort or luck.

Managerial Implications

From a managerial perspective, the current article is relevant in several ways. First, it has been shown that consumers do not always consider fair what service providers consider equitable and self-evident. That is, in terms of relationship marketing, our research underlines that an increase in the value of customers for the firm may come along with a decrease in fairness and thus value customers derive from the firm. Thus, firms need to increase their emphasis on fairness. The measurement of consumers' fairness perceptions could be included in a service firm's standard market research plan, for example. That is, fairness should be regarded as a key performance indicator alongside more common indicators like consumers' perceptions of quality and customer satisfaction. Although managers may regard fairness as a subordinate goal when compared with their targets for profit and growth, we make a case for considering consumers' fairness perceptions because service providers are reliant upon well-functioning customer–firm relationships—that can be severely disrupted when consumers feel they have been treated unfairly. Moreover, mutual fairness can be regarded as a general societal goal to which businesses should contribute. Put in the words of Boulding et al. (2005, p. 160), our research fully supports the notion that ''firms should not be greedy'' and that ''the successful implementation of CRM requires that firms carefully consider issues of consumer fairness.''

Apart from this emphasis on fairness, our research involves two further managerial implications. First, we would like to point out that—even though the fairness of differential customer treatment is controversial—our results also show that service providers (except medical service providers) should not completely refrain from this practice. For one thing, consumers are generally pleased when preferred; for another thing, consumers value a balance of equity and equality, they do not seek complete equality. To avert (the reproach of) unfairness when implementing differential treatment programs, service providers need to be careful to treat customers ''differently, not badly'' (Selden and Colvin 2003, p. 180), because it has been revealed that negative reactions to nonpreferred treatment are more extreme than positive reactions to preferred treatment. That is, when rolling out differential treatment programs, firms should communicate and focus on the equity principle and consumers' gains (e.g., *for 15 nights/flights/purchases, you receive an extra. . .*) and make sure that changes (e.g., in service channels) are not perceived as losses but as a chance to save time or money (e.g., the usage of self-service channels). Although it is clear that not everybody can be treated above average, service firms need to take into consideration whether consumers will frame changes in service levels as a gain or a loss.

Second, our research has implications for multinational service chains in underlining the fact that ''there are no global consumers'' (De Mooij 2004, p. 314)—Germans are more critical of differential treatment than U.S. consumers. That is, when rolling out a differential treatment program, service providers should think of regionalized adjustments rather than standardized practices. Service providers should generally abstain from a strong differentiation among customers in Germany but not in the United States, for example. Because German consumers' locus of control beliefs seem to play a role when it comes to preferential treatment, it is also advisable for service providers to emphasize in the German market that preferential treatment is well deserved.

Limitations and Directions for Future Research

Overall, results must be tempered by limitations of the used study designs. Our studies were based on self-report. Although we found converging evidence, using a descriptive and a pre-experimental design, we can only report consumers' perceptions and reaction intentions, not their actual behavior. Because working with customer databases may not be meaningful—the behavior of dismissed customers cannot be observed—future research should build on the presented findings using (field) experimental approaches. Such studies should also strive to resolve a further limitation of our present research, namely the rather abstract presentation of scenarios to participants. That is, future research should not only include customers' past experience with a service but also consider and vary different levels of interactivity of customers with service personnel or other customers. Apart from the ideas presented, longitudinal survey designs would be desirable. It would be worth examining, for instance, if fairness perceptions of differential customer treatment also change distributive justice preferences over time.

In addition, the present research could be extended to further European and non-Western (e.g., Asian) service economies. Prior justice research in Japan and the United States, for instance, may have implications for differential customer treatment (Finkel, Crystal, and Watanabe 2001). Besides further country differences, this research could be also deepened within the United States and Germany to better capture the rich diversity within both countries. It has been argued, for example, that racial stereotypes play a role in the United States when it comes to attitudes related to equity, equality, and redistribution (Alesina, Glaeser, and Sacerdote 2001). That is, apart from sample stratification in terms of gender, age, and education, further stratification criteria are desirable.

Moreover, further aspects of service fairness (e.g., interactional and procedural justice) and of consumers' attributions (e.g., their inferences about the service providers' motivations) deserve a closer look in the search of further relevant predictors of consumers' fairness perceptions. Apart from the emphasis on country differences, a closer investigation of industry differences could be of practical relevance.

The above paragraphs show that there is no shortage of research topics in the context of 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.

So far, we have 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), a deontologist would consider this wrong, even if all parties benefit. Thus, when service providers follow our recommendations, one remaining question goes beyond the scope of this research: Do beneficial outcomes matter more than the motivation that has led to them?

Appendix A

Vignettes/Industry Scenarios

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.

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 breakeven 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.

The described *airline* depends on its business travelers to make a profit. Tickets in business or first class cost approximately 3 or 4 times more than tickets in the economy class. The airline has developed several measures to particularly satisfy the travelers in 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 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 offering 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.

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 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.

Note: In the introduction, the expressions *profitable* and *unprofitable customers* were explained to the respondents (as *profit-generating* and *loss-generating* customers).

Table A1. Measures.

Country	Constructs and Items[a]	Study 1: Cronbach's α	Study 2: Cronbach's α
United States	$\text{Fairness}_{\text{Telco}}$	.75	.82
	1. The presented telecommunications company treats its best (profitable) customers preferentially. I consider this . . .		
	2. The presented telecommunications company treats its "bad" customers (e.g., hardly profitable customers) somewhat inferior to its "good" customers. I consider this . . .		
	3. The telecommunications company wants to dismiss some of its "bad" (unprofitable) customers. I consider this . . .		
	(Bipolar items: rating from 1 = *fair* to 5 = *unfair*)		
	$\text{Reaction nonpreferred}_{\text{Telco}}$	.93	—
	If I realize that this telecommunications company intentionally treats me worse than other, more profitable customers, I will . . .		
	1. Get very angry versus be very pleased		
	2. Advise others against this company versus recommend this company to others		
	3. Switch providers versus stay a loyal customer		
	(bipolar items, rankings from 1 to 5; first item measures affect, second item measures WOM, and third item measures loyalty intentions)		
	$\text{Reaction preferred}_{\text{Telco}}$	.91	—
	If I realize that this telecommunications company intentionally treats me better than other, less profitable customers, I will . . .		
	1. Get very angry versus be very pleased		
	2. Advise others against this company versus recommend this company to others		
	3. Switch providers versus stay a loyal customer		
	(bipolar items, rankings from 1 to 5; first item measures affect, second item measures WOM, and third item measures loyalty intentions)		
	$\text{Fairness}_{\text{Bank}}$	.81	.86
	$\text{Reaction nonpreferred}_{\text{Bank}}$	.91	—
	$\text{Reaction preferred}_{\text{Bank}}$	.91	—
	$\text{Fairness}_{\text{Airline}}$	.74	.64
	$\text{Reaction nonpreferred}_{\text{Airline}}$	.91	—
	$\text{Reaction preferred}_{\text{Airline}}$	.92	—
	$\text{Fairness}_{\text{Medical}}$	.86	.89
	$\text{Reaction nonpreferred}_{\text{Medical}}$	.92	—
	$\text{Reaction preferred}_{\text{Medical}}$	.93	—
	Equity preference[b]	.65	.79
	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 among 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;		
	(Item was transformed into a 5-point-scale for further analyses; a 4-point scale was used in Study 1.)		
	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.		
	(Answers on a 5-point scale, 1 = *do not agree at all*, 5 = *agree very much* in Study 2; a 4-point scale was used in Study 1).		
	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 not possible		
	Economic locus of control[c]	—	.81
	1. Whether or not I get to become wealthy depends mostly on my ability		
	2. Whether or not I am successful depends on my own actions		

(continued)

Table A1. (continued)

Country	Constructs and Items[a]	Study 1: Cronbach's α	Study 2: Cronbach's α
	3. If one works hard enough, one is likely to make a good life for oneself		
	4. Any one who is able and willing to work hard has a good chance of succeeding		
	(Answers on a 5-point scale, 1 = *agree not at all*, 5 = *agree very much*)		
DE	$\text{Fairness}_{\text{Telco}}$	.76	.76
	$\text{Reaction nonpreferred}_{\text{Telco}}$	.88	—
	$\text{Reaction preferred}_{\text{Telco}}$	.91	—
	$\text{Fairness}_{\text{Bank}}$	.73	.72
	$\text{Reaction nonpreferred}_{\text{Bank}}$	.88	—
	$\text{Reaction preferred}_{\text{Bank}}$	.92	—
	$\text{Fairness}_{\text{Airline}}$	.70	.64
	$\text{Reaction nonpreferred}_{\text{Airline}}$	.91	—
	$\text{Reaction preferred}_{\text{Airline}}$	.91	—
	$\text{Fairness}_{\text{Medical}}$	.72	.75
	$\text{Reaction nonpreferred}_{\text{Medical}}$	.90	—
	$\text{Reaction preferred}_{\text{Medical}}$	.91	—
	Equity preference[b]	.66	.79
	Economic locus of control[c]	—	.85

Note. [a]For reasons of brevity, the items measuring fairness and reactions are only presented in the U.S. telecommunications context. The remaining items follow the same wording but are adapted to the respective industry (i.e., in the medical context, "patients" was used instead of "customers"; in the airline context, the third item was "If the airline offers only business class on some routes, I consider this . . . ").
[b]In our pretest ($N = 46$ German respondents), Cronbach's α was .77. In Study 1, α was lower (see above). The retest reliability in the second survey to the subsamples was .66 in the United States and .60 in DE. In Study 2, Cronbach's α was .79 in both the German and the U.S. full sample (see above); in the subsamples, α ranged from .67 to .87.
[c]Items 1 and 2 are slightly adapted from Furnham (1986); Items 3 and 4 are slightly adapted from Mirels and Garrett (1971). 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. In the subsamples, α ranged from .75 to .86.

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