



You got a free upgrade? What about me? The consequences of unearned preferential treatment



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HIGHLIGHTS

- The impact of unexpected upgrades on potential travelers who did not receive one.
- A high-value upgrade significantly increased participants' envy regardless recipient.
- A high level of unfairness was examined when a low-value upgrade was provided.

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ABSTRACT

Airline companies often spontaneously provide unexpected upgrades to please their customers. However, this practice may have negative outcomes for customers nearby who do not receive an upgrade. This study was designed to understand the impact of unexpected upgrades on potential travelers in terms of envy and perceptions of unfairness by focusing on individuals who did not receive an unexpected upgrade. By utilizing a scenario method, this study found practical results for airline companies, as well as other tourism and hospitality industries. Providing another traveler with a high-value upgrade, such as a move from economy to first class, significantly increased participants' envy. More specifically, participants with high social comparison orientations had higher levels of envy and perceived unfairness than individuals with low social comparison orientations. Furthermore, the influence of the level or value of the upgrade on envy differed based on the closeness of the relationship between the participant and the recipient of the unexpected upgrade. Participants' feelings of envy were consistently high when a stranger received an unexpected upgrade, regardless of its value. Comparably, when a friend received a high-value upgrade, participants showed as high a level of envy as when a stranger received such an upgrade. However, when a friend received a low-value upgrade, they did not report feeling envious. Further discussion and implications are provided in the main body of this paper.

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1. Introduction

In many service businesses, it is common for consumers to receive free upgrades. Imagine that two friends, Mr. A and Mr. B, are planning to travel together. They purchase the same vacation package from the same online travel agent and have the same status frequent flyer membership. On the day of travel, they meet at

the airport, and Mr. A is provided with a free upgrade from economy to first class when he checks in. Mr. A is delighted, but at the same time feels guilty because his friend, Mr. B, does not receive the same upgrade. Mr. A enjoys the free upgrade and is very satisfied with his flight. However, how does Mr. B, who did not receive an upgrade, feel after his flight?

As described in this short anecdote, Mr. A received an extra benefit that was not offered to Mr. B. This is referred to as "preferential treatment" (Jiang, Hoegg, & Dahl, 2013). In this case, he did not earn such treatment due to his frequent flyer status or by paying extra money. Instead, he received the upgrade by chance. This is called "unearned preferential treatment" (Jiang et al., 2013) or an "unexpected free upgrade" (Mattila, Hanks, & Zhang, 2013).

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Various firms use unearned preferential treatment to surprise and delight customers. However, unearned preferential treatment may sometimes have negative outcomes as well, such as guilt (Mattila et al., 2013), social discomfort (Jiang et al., 2013), or even dissatisfaction (Lacey, Suh, & Morgan, 2007). These negative outcomes have been examined in previous studies, specifically when participants receive an unexpected upgrade at an airport (Mattila et al., 2013) or extra groceries (Jiang et al., 2013) in the presence of friends or colleagues who do not receive the upgrade. That is, prior studies focused on individuals, or “recipients,” who received unearned preferential treatment.

However, in reality, the main focus of such research should be the reverse – the reaction of “watchers” (those who see another customer receive unexpected preferential treatment) rather than recipients. In terms of tourism, airline companies often provide unexpected benefits to randomly selected customers. For instance, they may upgrade customers' seats from economy class (i.e., the cheapest seats) to first class (i.e., the most expensive seats) without providing an explicit reason. Also, airlines might invite randomly selected customers to use the first-class check-in counter to avoid waiting in line. In such instances, the number of recipients is minimal compared to the number of watchers. When the watchers do not receive the same treatment, they may feel envy (Festinger, 1954) or perceive the situation as unfair (Adams, 1963).

The study of negative emotions, such as envy, is important because they are associated with a desire to reduce the disparity between oneself and the person in the superior position (Miceli & Castelfranchi, 2007; Smith & Kim, 2007; Van de Ven, Zeelenberg, & Pieters, 2011). People may even behave in a malicious or destructive manner to reduce this gap (Van de Ven, Zeelenberg, & Pieters, 2009). As a consequence, envy can result in a negative attitude toward a specific company or person. Moreover, perceptions of fairness are a major determinant of satisfaction and repurchase intention (Erevelles & Leavitt, 1992; Oliver & Swan, 1989). For instance, Namkung and Jang (2009) argued that perceptions of fairness increase restaurant customers' satisfaction and behavioral intention, such as repurchase intention. Therefore, it is necessary to investigate the role of unearned preferential treatment in envy and perceived unfairness from the perspective of watchers instead of recipients.

Based on the above rationale, this study was designed to identify whether or not unearned preferential treatment causes negative emotions (i.e., envy) and perceptions of unfairness among those who do not receive the unearned preferential treatment. The specific objectives were to (1) examine the influence of unearned preferential treatment on negative emotions (i.e., envy) and perceived unfairness according to the value of the treatment, (2) identify whether personality traits (i.e., social comparison orientation) can influence the formation of negative emotions and perceptions of unfairness, and (3) identify whether the impact of the value of the unearned preferential treatment and personality traits on envy and perceived unfairness differ based on the closeness of the relationship with the recipient (i.e., friend versus stranger).

The results of this study suggest both theoretical and empirical implications. First, this study offers an opportunity to consider whether providing unearned preferential treatment generates negative emotions, such as envy. Furthermore, the study provides guidelines for reconsidering the tourism industries' strategy for handing out free upgrades. Specifically, this study seeks to answer the following questions: Which types of unearned preferential treatment cause negative emotions and/or perceived unfairness? Should tourism industries publicly announce unearned preferential treatment?

2. Literature review and hypotheses development

2.1. Unearned preferential treatment

In many cases, only a few selected customers receive extra benefits when they shop or dine at a restaurant, such as an extra 10% discount, free dessert, or avoiding waiting in line, based on a company's customer relationship strategies (Bolton, Lemon, & Verhoef, 2004; Zeithaml, Rust, & Lemon, 2001). More specifically, firms often segment their customers into different tiers by importance to serve customers based on their actual or potential sales volumes (Lacey et al., 2007; Rust, Zeithaml, & Lemon, 2001). Customers who receive these benefits earn them based on time, money, or effort. These types of benefits are termed preferential treatment, which is defined as “providing superior social status recognition and/or enhanced products above and beyond standard firm value propositions and customer service practices only for those selected customers” (Lacey et al., 2007, p. 242). Beyond earned benefits, other situations occur in which customers receive preferential treatment by chance. For instance, McDonald's has long employed the Monopoly game and other instant-win promotions, while Sears has provided scratch-and-save discount promotions. These treatments are rewarded spontaneously and are termed “unearned preferential treatment” (Jiang et al., 2013).

2.2. Potential negative consequences of unearned preferential treatment

2.2.1. Envy

Envy exists in every society and manifests in every human being to a greater or lesser extent (Foster et al., 1972). Generally, envy is defined as an emotion that occurs when a person lacks another person's superior achievements or possessions. The envious person either desires what the other person has or wishes the other person lacked it (Parrott & Smith, 1993). Envy is a negative emotion associated with a desire to reduce the disparity between oneself and someone in a superior position (Miceli & Castelfranchi, 2007; Smith & Kim, 2007). Envy and jealousy are often confused with each other due to semantic ambiguity (Parrott & Smith, 1993; Silver & Sabini, 1978) and the frequent joint occurrence of the two emotions (Cohen-Charash, 2009). Envy involves two people and corresponds to the feelings aroused when one person desires another's advantage. In contrast, jealousy involves three people and corresponds to the feelings aroused when a person fears losing a special relationship with another person (Parrott & Smith, 1993).

Two major factors, inferiority and deservedness, are important for explaining envy (Ben-Ze'ev, 1992). First, envy is concerned with the subject's inferiority. More specifically, inferiority may be based on tangible goods, such as food or money, which are required for physical survival. It also may be perceived in terms of a quality, attribute, or recognition, which may be necessary for psychological well-being (Foster et al., 1972). Second, envy is affected by whether the other person's good fortune appears to be deserved or not (Ben-Ze'ev, 1992).

Envy is a directed emotion because it cannot occur without a target or victim (Schoeck, 1969). According to various theories, such as balance theory (Heider, 1958), the self-evaluation maintenance model (Tesser, Millar, & Moore, 1988), and appraisal theory (Lazarus & Cohen-Charash, 2001), envy occurs when an individual lacks something and perceives the envied person as similar to him or herself. In other words, envy seems to be directed at those who are like us or equal to us but slightly superior in some specific way. Social comparison theory posits that people tend to compare themselves with people they consider to have a similar social position or similar abilities (Festinger, 1954).

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