



## Illegitimate returns as a trigger for customers' ethical dissonance

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### ABSTRACT

This study investigates the combined impact of customer merchandise return circumstances (legitimate or illegitimate) and service employee responses on customer outcomes (loyalty and ingratiation), through the lens of the ethical dissonance framework. Respondents ( $N = 916$ ) were randomly divided among six experimental conditions in a  $2 \times 3$  between-subjects design. As predicted, returns circumstances moderated the relationship between employee responses and customer outcomes: Despite employees' angry response to delinquent customers, the latter's levels of loyalty toward the business as well as ingratiation toward the service employees were less damaged than in the case of normative customers exposed to the same employee angry response. This, we suggest, reflects an intention to quiet the dissonance on the part of the customers upon realizing that their delinquent behavior was evident to the service employee.

### 1. Introduction

Fraud and other forms of dishonesty are among the greatest societal and business challenges of our time (Ayal and Gino, 2012). Unethical behaviors can be economically or non-economically motivated (Fisk et al., 2010). For instance, among investigated customer unethical behaviors is *wardrobing*, the practice of purchasing an item of clothing, wearing it, and then illegitimately returning it to the store for a refund (Longo, 1995; Harris, 2010, 2008). Not all merchandise returns are fraudulent; legitimate returns (LR) are those made within the framework of the permitted return policy; conversely, illegitimate returns (IR) comprise a form of deception, whereby customers purchase an item with the intent of returning it after using it, demanding a refund from the retailer (Harris, 2010). Customer IRs, reported to be increasingly widespread (Rosenbaum et al., 2010; Harris, 2010), have received only scant research attention.

These seemingly harmless and ordinary unethical behaviors are pervasive (Tenbrunsel et al., 2010) and generate economic costs and considerable business damage (Mazar and Ariely, 2006). IRs alone cost retailers over \$10 billion per year, with 13.4% of all returns in the U.S. considered fraudulent, according to a recent estimate by the U.S. National Retail Federation (Ayal and Gino, 2012).

IRs (and other unethical customer behaviors) are known to harm service employees' psychological well-being and increase burnout

(Grandey et al., 2004; Harris and Reynolds, 2003), emotional exhaustion, absenteeism, and negatively affect employees' emotional regulation (Grandey et al., 2004). They are also known to decrease frontline employees' sense of trust (Goussinsky, 2012).

Consequently, researchers have sought to understand the antecedents of such customers' negative behaviors (Fisk et al., 2010; Daunt and Harris, 2012a), focusing on what resources employees should use to manage them (e.g., Harris and Reynolds, 2004; Reynolds and Harris, 2006; Yagil, 2008), and recommending steps to be taken to confine the damage (Baker et al., 2012; Rosenbaum et al., 2010; Berry and Seiders, 2008).

While researchers to date have highlighted the deleterious effects of customers' unethical behaviors from the economic and business aspects and have proposed the desired response to limit these damages (Berry and Seiders, 2008; Fisk et al., 2010), social psychology researchers have investigated the mechanism of unethical dissonance and its potentially less harmful consequences (Barkan et al., 2012). Social identity theorists, such as Schlenker (1980) and Tajfel (1982), have asserted that people desire to feel good about themselves and strive to maintain a positive self-concept following bad or unethical behavior. It was demonstrated that even as people cheat, they try to maintain a positive self-image, both privately and publicly (Jones, 1973; Rosenberg, 1979). Thus, this tendency may provide some consolation for societies and organizations (Barkan et al., 2012), even in situations of customer-

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**Table 1**  
Summary of relevant literature on customer misbehavior: Antecedents, consequences and practical implications.

Reference	Customer Behavior	Research Purpose and Methodology	Results & Conclusions
<b>Authors, Journal, year (2000–2016)</b>	<b>Economically motivated (EM) or non-economically motivated (NEM) misbehaviors</b>	<b>Antecedents of customer misbehavior (A) Coping strategies and negative consequences (C)</b>	
Beatty, Ogilvie, Magnus, Northington, Harrison, Holloway & Wang, <i>Journal of Service Research</i> , 2016	Customer special requests (EM & NEM)	(C; <i>Qualitative &amp; Quantitative</i> ) Investigated types of customers' special requests and the way employees handle with it.	Customer special requests were classified by the authors into four types —physical resources, knowledge, financial, and time. Employee assessments were categorized as positive compliance factors (motivations and ability) or restrictions to compliance (policy, legal, potential risk and lack of resources). Development of employees' skills (yielding and not yielding to opportunistic complaints) and knowledge of operations; financial costs may decrease as a result of an established compensation policy.
Baker, Magnini, & Perdue, <i>International Journal of Hospitality Management</i> , 2012	Opportunistic customers' complaints - customers knowingly and incorrectly report service failures or make illegitimate complaints. (EM)	(C; <i>Qualitative</i> ) Investigated how service employees handle opportunistic customer complaints in service encounters.	Findings revealed three clusters of motives: financial egotists, money grabbers, and ego revengers. Statistically significant differences were revealed across the personality, servicescape, and situation specific variables for each motive. However, no differences were found concerning demographic variables.
Danut & Harris, <i>Journals of Services Marketing</i> , 2012	Motives of dysfunctional customer behavior: An empirical study (N/EM)	(A; <i>Survey</i> ) Examined the associations between individual factors (personality and demographic variables) and contextual factors (servicescape and situation-specific variables), and the motives that drive episodes of dysfunctional customer behavior.	Emphasized the differences between co-created value in service interaction or co- destroyed value by customer misbehavior. Employees need to act to create a co-creation value of the service encounter. Suggests tactics of co-value creation. The results show that under high levels of exposure to customer aggression, employees with high NA were more likely to use behavioral disengagement than were low-NA individuals; employees with low NA were less likely to vent negative emotions than were high-NA individuals, and employees with high self-efficacy were less likely to use venting and emotional support than were employees with low self-efficacy. In addition, self-efficacy was found to reduce the negative impact of customer aggression on emotional exhaustion.
Echeverri, Salomonson & Aberg, <i>Journal of Marketing Theory</i> , 2012	Customers misbehavior (NEM)	(C; <i>Qualitative</i> ) Provided in-depth explanations as to how and with what resources frontline employees deal with incidents where customers display dysfunctional behavior.	Customer verbal aggression impaired the cognitive performance of service employees and reduced their task performance.
Goussinsky, <i>Journal of Service Management</i> , 2012	Aggressive customers (NEM)	(C; <i>Survey</i> ) Investigated the direct and moderating effect of negative affectivity and self-efficacy on the relationship between customer verbal aggression and employees' emotion-focused coping strategies	
Rafaeli et al., <i>Journal of Applied Psychology</i> , 2012	Aggressive customers (NEM)	(C; <i>Experimental</i> ) Showed a particularly negative influence of aggressive requests delivered by high-status customers.	
Ro & Wong, <i>International Journal of Hospitality Management</i> , 2012	Opportunistic customer's illegitimate complaints	(C; <i>Qualitative</i> ) Investigated how service employees handle opportunistic customer complaints in service encounters.	By using the critical incident technique, classified 346 incidents from hotel and restaurant services, based on complaint source, evidence, compensation, handling, follow-up, and customer return. Managerial implications for these challenging situations were discussed and suggestions were made for improvement.
Wang, Beatty, & Liu <i>Journal of Marketing</i> , 2012	Customers' fuzzy requests, defined as requests that are slightly or somewhat outside company policy but not completely unacceptable or detrimental to the company (EM)	(C; <i>Quantitative</i> ) Exploring employee compliance decision making model in cases of customers' fuzzy return requests.	Employees with higher customer orientation and higher conflict avoidance tend to handle fuzzy return requests in a more effortful manner, especially when customers demonstrate an affiliative style. In contrast, when customers display a dominant style, employees engage in motivated reasoning and perceive the request to be less legitimate, reducing their likelihood of complying.
Rosenbaum, Kunz, & Ross-Wooldrige, <i>Psychology &amp; Marketing</i> , 2011	Unethical retail disposition (EM)	(A; <i>Experimental</i> ) Explored unethical retail disposition from the consumer perspective	This paper illustrated why consumers engage in either URD participation or restraint. The authors supported and augmented previous URD research by reporting that URD offenders employ eight neutralization techniques to remedy personal guilt associated with committing the fraudulent behavior.
Fisk et al., <i>Journal of Services Marketing</i> , 2010	Dysfunctional customers (economically and non-economically motivated)	(C; A; <i>Conceptual</i> ) Explored a framework in which customer personality, motivation, and situational factors influence customers' misbehavior and ways to handle this situation and benefit from it.	Highlighted the possibility of positive consequences of customer misbehaviors, lack of business control, staff turnover, and financial costs turn into employment opportunities, new expertise to control misbehaved customers, and increase business awareness to poverty. Misbehaving customer makes the rest of us look good.

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