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Non-fulfillment of promotional deals: the impact of gender and company reputation on consumers' perceptions and attitudes

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Abstract

Sales promotional activities account for a significant portion of the integrated marketing communications budget of most companies, but there are times when promotional plans backfire, and promotions go unfulfilled. While much research has focused on the impact of sales promotional activities on consumers' responses and attitudes, not much has focused on non-fulfillment of promotional promises and the consequences. Utilizing research on gender and ethics, as well as the marketing literature on company reputation, we developed various hypotheses regarding the likely impact of gender and company reputation on consumers' attitudes toward, and perceptions of, companies involved in non-fulfillment of promotions. These were tested in an experimental study. Results indicate, overwhelmingly, that company reputation influences how consumers perceive brands and companies involved in non-fulfillment of promotional deals. Companies with positive reputations do not suffer as adversely as those with negative reputations. Gender has an impact on perceptions of the credibility of companies involved in non-fulfillment, but does not affect brand attitudes, patronage intentions or switching intentions. Interaction effects indicate that there are differences between men and women across company reputation conditions: among women, there were greater differential effects of company reputation on their attitudes, as compared to the case with men, where the differential effects were not as great.

Keywords: Consumer promotions; Gender effects; Non-fulfillment; Sales promotions

> They are angry about a Pampers promotion. Pampers, P&G's biggest global brand, offered parents Fisher-Price toys if they collected points printed on diaper packages. Pampers hoped the promotion would make consumers loyal users and persuade buyers of rival Huggies to try Pampers (The Wall Street Journal, April 2, 2002, page B1, Emily Nelson).

> "The toys were a nice little incentive to get Pampers instead of Huggies or Luvs, but the company was very misleading with the promotion," said Allison Boehler-Graves, 34, of Upper Arlington, who had bought Pampers since the birth of her 6-month-old daughter Hannah. She said she spent several hundred dollars collecting enough points to order a motorized Jeep and an educational toy and was disappointed when she got a letter saying the company had run out of the toys.
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> "I am going to write them a letter and complain," she said (Associated Press, Procter runs out of toys for a Pampers Promotion. April 2, 2002).

1. Introduction

Sales promotional activities by marketers account for a significant portion of the integrated marketing communications budget of most companies. These consumer promotions include coupons, consumer loyalty or frequent buyer plans, sweepstakes, contests, premiums, samples, rebates and refunds, and price deals

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(Burnett and Moriarty, 1998). Marketing communications managers and brand managers usually have a number of objectives for the various kinds of consumer promotions. Among the objectives are: to increase or maintain sales, to build customer loyalty or trust, to encourage brand switching, to get shelf attention, and to prompt trial by new users (Burnett and Moriarty, 1998).

In spite of the popularity of consumer promotions, however, there are times when promotional plans backfire, and it is not unusual to see stories regarding consumer discontent with some promotion that has gone awry (refer to opening vignette). In spite of the possibility of non-fulfillment, however, not much research has explored this reality of promotional life and its impact on consumers' attitudes. Yet, recent business publications indicate that there are several instances of failed or scandalous promotions, which could have implications for consumer promotions, in general, and for the companies involved in these promotions, in particular. Besides, a company's failure to fulfill a promotional promise could be construed as an unfair practice, which could place it in violation of the Federal Trade Commission's position regarding unfair business practices.

The principal aim of our study was to address this gap by utilizing the literature on ethics and gender, as well as company reputation, as a framework to develop testable hypotheses regarding the likely reaction of consumers to non-fulfillment of promotional deals; in particular, their perceptions of corporate credibility, attitude toward the brand, patronage intentions, and brand-switching likelihood. We outline an experimental study that was conducted to test these hypotheses and discuss the results and implications for brand managers and integrated marketing communications managers. We highlight the limitations of the study and suggest areas for future research.

2. Background and hypotheses development

2.1. Company reputation

The issue of company reputation and its impact on consumers' attitudes and perceptions has been explored by a number of marketing researchers (see, for example, Yoon et al. (1993) for a summary of the roles of company reputation in product/service markets and in channel relations). Much of this body of research points to the fact that company reputation—be it a retailer, manufacturer, or service provider—is an important factor in marketing environments (Barich and Kotler, 1991; Dawar and Parker, 1994; Dick and Basu, 1994; Purohit and Srivastava, 2001; Zeithmal, 1981). Yoon et al. (1993), for example, tested the proposition that a company's reputation and its service offering information collectively determine a buyer's expectations. They found evidence to support the view that a buyer's response to a service is consistent with his/her attitude toward the vendor's reputation. Raj (1985) suggested that favorable reputations are likely to yield stronger and more resilient market share positions; and Anderson and Weitz (1989) found evidence that, in dyadic channel relations, a manufacturer's reputation enhances distributors' trust and loyalty. Nguyen and Leblanc (2001) used data collected in three service industries—retail sector, a major long-distance company, and college students in business administration—to test the nature of the relationship between corporate reputation and corporate image and their effect on customers' retention decisions. They concluded that the degree of customer loyalty has a tendency to be higher when perceptions of both corporate reputation and corporate image are strongly favorable.

The fact is that reputation may be used as a cue in the assessment of companies, in the absence, or presence, of other cues. Many researchers have shown that in the absence of knowledge about the true quality of goods and services, consumers may rely on certain cues to aid their decisions (Dawar and Parker, 1994; Purohit and Srivastava, 2001; Rao and Monroe, 1988; Zeithaml, 1988). We believe that company reputation is one such cue. In fact, Purohit and Srivastava argue that, "Because reputation is a characteristic that evolves over time and considerable investment is required to establish a positive valence, we posit that manufacturer reputation and retailer reputation are high-scope cues" (p. 125). They define high-scope cues as those cues that can be characterized as "cues that evolve over time such that their valence cannot be changed instantaneously; rather, to change the valence of a high-scope cue, particularly from negative to positive, considerable investments in both time and money are required" (p. 125). Hence, the expectation is that company reputation would be a diagnostic cue, given its high-scope nature.

2.2. Consumer use of negative information

Ahluwalia et al. (2000) opined that, although there is a lot of negative information about brands and companies available to consumers, little research has looked at the appraisal and use of negative information by consumers. They posited the negativity effect, that is, the case of consumers, and people, in general, placing more weight on negative information, as against positive information, when they have to form judgments about brands, people, companies, and so on. This effect had been explored in previous research in psychology, particularly in the area of impression formation (Fiske, 1980; Klein, 1996; Skowronski and Carlston, 1987), as well as in product evaluation contexts (see, for example, Herr et al., 1991; Maheswaran and Meyers-Levy, 1990).