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Improving the Effect of Guarantees: The Role of a Retailer's Reputation☆

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Abstract

This research examines the interaction of two cues, retailer reputation and guarantees on evaluations. Extending Mandler's (1982) incongruity framework, we illustrate across three studies how moderately incongruent signals can be combined to enhance evaluations. Unique to our application of moderate incongruity, however, is the fact that guarantee cues can be incongruent with the retailer's reputation, in terms of domain (e.g., price matching guarantee (PMG) offered by provider whose reputation is based on service, not pricing) or valence (e.g., PMG offered by retailer known for carrying expensive merchandize). This dual perspective on the source of incongruity (domain or valence) is important and highlights when guarantees enhance evaluations.

Keywords: Guarantees; Retailer reputation; Congruity

Retailers spend millions of dollars every year to develop and maintain their overall reputations in the marketplace. Reputations often serve as cues in aiding consumers' evaluations and can be based on many factors, so that two retailers with very different reputational domains can both enjoy an excellent overall reputation. For example, Nordstrom and Wal-Mart both have excellent reputations; the former is based on superior customer service, while the latter is based on everyday low prices. This description of reputation is more specific than has been used in earlier research describing reputations as a more generalized, Gestalt effect (e.g., Dodds, Monroe, and Grewal 1991). As noted from our description of the two stores, we follow more of a brand equity approach to reputations indicating that reputations are often based on more specific brand associations (e.g., Keller 2003). We examine reputations that are based on specific strategies, such as Nordstrom's focus on service, or Wal-Mart's focus on everyday low prices.

Having established a focused reputational strategy in the marketplace, retailers need to be careful about the tactics that they employ to maintain or enhance that position because these tactics are likely used by consumers as a second evaluation cue. Nordstrom's employing service excellence tactics (e.g., delivery guarantees involving shipping and returns) is congruent with their overall service reputation, while Wal-Mart's offering "price-matching guarantees" (PMG) is congruent with their overall low price reputation. In contrast, a consumer might find Nordstrom offering a PMG (which they actually do) or Wal-Mart offering an in-stock guarantee (which they recently employed during Black Friday) incongruent with her expectation of each store's respective reputation.

We believe that both types of cues – the retailer's reputation and the type of guarantee employed – are likely to interact to influence consumers' evaluations. Understanding the nature of the interaction is likely of importance for retailers to understand, specifically when the combination of cues are moderately incongruent (e.g., Mandler 1982; Sprott and Shimp 2004).

Employing Mandler's (1982) terms regarding overall congruity, moderate incongruity can be defined at the simplest level as a cue that differs from an evoked schema on a single dimension (c.f. Mandler 1982; Meyers-Levy and Tybout 1989), such as a low-price retailer (Wal-Mart) offering in-stock guarantees or a service excellence retailer (Nordstrom) offering a PMG. Alternately, if two cues match in terms of domain, then there is overall congruity between them. Finally, if there is absolutely no match between the cues, there is extreme incongruity between them. The goal of this paper is to illustrate conceptually and empirically that the two information cues interact in predictable ways depending on their level of congruity.

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We use the moderate incongruity framework to illustrate across three studies that moderately incongruent cues can be combined to influence evaluations. A central contribution of our research is to define two types of moderate incongruity: domain incongruity and valence incongruity. Domain incongruity pertains to the mismatch between the basis of the retailer's reputation and the type of guarantee offered (e.g., an excellent service reputation retailer offering a PMG). Valence incongruity is the mismatch between the positive/negative reputation of the retailer and positive/negative assessment of the guarantee offered such that the valence of the two cues does not match (e.g., a retailer who has does not have a reputation for offering low prices (negative valence for price reputation) offers a PMG (positive valence for tactic)). This dual perspective on the source of incongruity is important and novel within the marketing domain.

Conceptual background

Information cues

In their seminal research, Purohit and Srivastava (2001) provide a classification scheme to differentiate between long-lasting and more transient cues. Long-lasting cues, such as a firm's reputation, are classified as "high-scope" cues, meaning that the cue has evolved over time, is not easily changed, and thus is a strong signal of quality. More transient cues, such as guarantees, are classified as "low-scope" cues, meaning that they are fairly easy to change and that their diagnosticity as a stand-alone signal of quality is relatively lower than that of a high-scope cue (Purohit and Srivastava 2001). These authors, along with several others, examine how these types of cues are integrated to formulate evaluations (e.g., Biswas et al. 2002; Miyazaki, Grewal, and Goodstein 2005).

Interestingly, not all of this research agrees on when high-scope and low-scope cues might be used together. Some find that low-scope cues such as warranties enhance evaluations only when the valence of the high-scope cue is positive (e.g., Dodds, Monroe, and Grewal 1991; Purohit and Srivastava 2001). Conversely, others find that the low-scope cue affects evaluations only when the valence of the high-scope cue is negative (e.g., Biswas et al. 2002). Thus, although both sets of research address the valence of the high-scope cue, we believe that examining the domain of both cues may account for the differences. In the former studies, reputation is operationalized as a generalized attitude toward the company (e.g., good vs. bad), whereas the latter research instantiates reputation as relating to a specific association (e.g., expensive store vs. everyday low price store). Although not studied as such, Biswas' et al. (2002) findings indicate that their effects are achieved only when the domain of the high and low-scope cue match (price reputation and PMG). Our conclusion is that both types of congruity matter, that is, congruity related to the valence of a cue and congruity related to the domain of a cue. Our goal is to develop and test a congruity-based model that reconciles these conflicting findings to better understand when the presence of a low-scope cue (in comparison to the absence of the cue) enhances evaluations, reduces evaluations, and/or does not affect evaluations.

Domain incongruity

Domain incongruity pertains to a mismatch between the basis of the retailer's reputation (e.g., excellent service, everyday low-prices) and the type of guarantee offered (e.g., in-stock guarantee, PMG). Marketing research is replete with studies addressing "domain incongruity" (e.g., Goodstein 1993; Noseworthy and Trudel 2011; Noseworthy, Cotte, and Lee 2011). Research in this area has progressed from contrasting the effects of matches versus mismatches between stimuli and schemas (e.g., Goodstein 1993; Loken and John 1993); the effects of various degrees of incongruity (e.g., Meyers-Levy and Tybout 1989); to identifying factors that moderate these effects (e.g., Campbell and Goodstein 2001; Noseworthy and Trudel 2011). One commonality among these studies is that incongruity is determined by the degree of domain inconsistency between an evoked schema related to the stimulus and the current exemplar being explored (cf. Fiske and Neuberg 1990; Mandler 1982).

Initial research on domain incongruity contrasted the processing and evaluations associated with stimuli that are congruent, versus incongruent, with the evoked schema and found a positive relationship between congruity and preferences and a negative relationship in terms of processing (e.g., Goodstein 1993; Sujan 1985). More recent research notes that many stimuli fall somewhere between the domain congruity extremes, representing moderate incongruity with an evoked schema (e.g., Miller and Kahn 2005).

Work examining moderate incongruity is largely based on the theory of incongruity resolution proposed by Mandler (1982). He claims that the process of resolving a cognitive incongruity between a new stimulus and an evoked category in memory determines both processing and evaluations. When there is congruity, there is little motivation to process the new stimulus and the ease of resolution leads to a slightly positive evaluation. Conversely, extreme incongruity may lead consumers to process a stimulus in more detail, but the level of incongruity makes the discrepancy difficult to resolve, leading to frustration. In the case of moderate incongruity, the discrepancy again motivates processing and successfully resolving these differences is thought to be pleasing. The result is a more positive reaction than in the congruent condition (e.g., Meyers-Levy and Tybout 1989; Noseworthy and Trudel 2011). The moderate incongruity effect has been supported across a variety of marketing studies including those examining product evaluations (e.g., Meyers-Levy and Tybout 1989), brand extension reactions (e.g., Boush and Loken 1991), tastes (Stayman, Alden, and Smith 1992), naming recommendations (Miller and Kahn 2005), and information search (Ozanne, Brucks, and Grewal 1992).

Applied to cues, we propose that how consumers evaluate a low-scope cue may depend on its congruity with a schema evoked by an accompanying high-scope cue. Because high-scope cues evolve over time and tend to be enduring (e.g., reputation, Purohit and Srivastava 2001), consumers are likely to form more elaborate schemas around such cues (e.g., Fiske