

DOCTORAL THESIS

Joint effects of VIP granting methods and non-VIP constomers' perceived similarity toward VIP customers on non-VIP customers' benign envy

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ABSTRACT

In the service industry, preferential treatment is a popular strategic approach for retaining valued customers (e.g., Barnes, 1997; Gronroos & Ojasalo, 2004; Zabin & Brebach, 2004; Lacey, Russell, Jaebeom, & Morgan, 2007; Mattila, Hanks, & Zhang, 2013). However, some researchers argue that preferential treatment can lead to customer dissention toward the service firms (Fournier, Dobscha, & Mick, 1998). Marketers are reminded not to ignore the majority of less-profitable non-VIP customers, who have potential to be developed into valuable VIP customers in the future and contribute to firms' economies of scale, total profits and healthy long-term growth (e.g., Zeithaml, Rust, & Lemon, 2001; Johnson & Selnes, 2005). The existing literature has mostly focused on negative responses (e.g., negative word-of-mouth, brand switching) of non-VIP customers in a preferential treatment context (Feinberg et al., 2002; Lehmann, 2001). However, positive responses of non-VIP customers in a preferential treatment scheme are largely neglected. Therefore, research on the positive responses from the majority of non-VIP customers is important for building a more complete theory of preferential treatment in this regard.

In the current research, *benign envy* refers to a positive motivation derived from envy that compels the envious person to catch up with the envied person. Non-VIP customers with benign envy are more likely to have positive responses (e.g., treatment upgrading, positive word-of-mouth) toward the desired possession of other customers (i.e., VIP treatment). Investigating the antecedents leading to non-VIP customers' benign envy of preferential treatment in the relationship marketing domain is a critical issue. Therefore, the primary objective of the current research is to investigate the antecedent conditions leading to non-VIP customers' benign envy in preferential treatment (i.e., VIP treatment) contexts.

To achieve my research objective of predicting benign envy of non-VIP customers, I first propose a popular market factor, the VIP granting method, as an antecedent variable influencing non-VIP customers' benign envy (criterion variable). Specifically, I propose two types of VIP granting methods which have different impacts on benign envy of non-VIP customers toward VIP treatment. The current research theorizes that ascription-oriented VIP granting methods (e.g., birthdate, gender, kinship) and achievement-oriented VIP granting methods (e.g., accumulated consumption points, accumulated mileage, stipulated deposits) determine the choice of salient dimensions for comparison between non-VIP customers and VIP customers, which in turn determines the outcome of comparison (similar vs. dissimilar).

The current research further investigates the mediation roles of perceived attainability and perceived deservingness to explain the psychological mechanisms that induce benign envy in non-VIP customers (Study 1). In addition, the current research examines the impact of cultural differences (ascription-oriented versus achievement-oriented) on perceived deservingness of VIP treatment by envied VIP customers (Study 2).

The current research contributes to the marketing theory of preferential treatment in four respects. First, this research operationalizes the concept of *benign envy* as a *motivation* rather than an emotion to help explain and understand the controversial concept of *benign envy* in previous studies (e.g., Tai, Narayanan, & McAllister, 2012; Van de Ven, Zeelenberg, & Pieters, 2009). Second, drawing on the concepts of ascription and achievement in the discipline of sociology, the current research classifies conventional VIP granting methods into two categories based on

customers' ascribed attributes (e.g., birthdate) and achieved attributes (e.g., accumulated mileage). This classification helps both scholars and practitioners better understand the impacts of different VIP treatment strategies on non-VIP customers. Third, a theoretical model is proposed to predict benign envy. The proposed model contributes to the service literature with an in-depth understanding of psychological processes explaining how the benign envy of non-VIP customers is induced in the preferential treatment marketing context.

Fourth, instead of drawing a holistic view on similarity as adopted in previous envy research and social comparison literature, the current research investigates the effects of similarity between the VIPs and non-VIPs from a more complex but realistic perspective. In this research, the upward social comparison which elicits envy was operationalized by similarity/dissimilarity along with two independent dimensions (ascription and achievement) instead of a unidimensional holistic perception. This operationalization allows the possibility that individuals will be similar in one dimension but dissimilar in another. The salient dimension of similarity between VIP customers and non-VIP customers thus can be triggered and manipulated by different VIP granting methods at the discretion of marketers. This advancement in the operationalization of similarity further contributes to envy studies and social comparison theory in the preferential treatment domain.

Finally, the current research contributes to the theory of envy from a cross-cultural perspective and reveals a cultural boundary condition of the effect of perceived similarity on perceived deservingness of VIP treatment, which in turn influences the valence of envy. My findings showed that the effect of perceived similarity on perceived deservingness is more pronounced in achievement-oriented cultures than in ascription-oriented cultures. This is because ascription-oriented non-VIP customers (vs. achievement-oriented) tend to respect and value the ascribed attributes regardless of whether they are the actual beneficiary (i.e., similar to the VIP in personal salient attributes).

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