Restoring justice

An examination in the marketing context

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“Let justice be done, though the heavens fall”

*As a Roman proverb by Lucius Culpurnius Piso Caesoninus*

Abstract

Justice is a universal concept that touches all areas of life, including commercial exchanges. Humans, unlike other species, have a sense of morality (Cropanzano et al., 2011). Justice is typically defined as a moral property of some event or action (e.g., Bagger et al., 2006). Simply put, something is fair when a person believes it to be fair. In other words, perceived fairness lies in the eyes of the beholder and consequently the same event can be perceived as fair or unfair depending on the individual. In this chapter we use the terms fairness and justice interchangeably. The goal of the present chapter is to review marketing and consumer behavior literature related to justice and to provide some avenues for future research.

The chapter is organized as follows: first we discuss the dimensions of the fairness construct. We then discuss fairness in the context of service recovery efforts. Third, we discuss the social impact of justice in terms of relationship norms and third-party justice. We then explore different pricing strategies and their impact on perceived fairness. We end with a discussion on the role of culture in shaping consumers’ fairness perceptions.

Key words

Justice, fairness, service recovery.

Dimensions of fairness

Justice has been a highly popular topic in organizational psychology over the past four decades. Some research supports a two-factor model in which distributive and procedural justice are considered as independent facets of fairness (Greenberg, 1990; Lind & Tyler, 1988), whereas other work suggests that a third dimension – interactional justice – is needed to better understand how people form justice perceptions (Bies & Shapiro, 1987; Aquino, 1995). The three-
A recent meta-analysis by Gelbrich and Roschk (2011) suggests that the impact of distributive justice might be limited to transaction-specific satisfaction, while interactional justice might be a more salient driver of cumulative satisfaction. Surprisingly, their results indicate that the impact of distributive justice as the driver of service recovery is limited to transaction-specific satisfaction. Cumulative satisfaction, on the other hand, seems to depend on interactional justice. Moreover, their findings suggest that the relationship between fairness and satisfaction is contingent on several factors, including target group, industry, and complaint type. Despite the large body of work examining the dimensional structure of justice, there is recent research in social psychology suggesting a shift from the dimensional view to an overall justice (Ambrose & Schminke, 2009). In that spirit, Han et al. (2008) show that service fairness and commercial friendships are the key determinants of customer loyalty.

Going forward in understanding the facets of fairness, researchers might want to examine new moderators such as status and power and their impact on distributive and procedural justice (Blader & Chen, 2012). Another interesting individual level moderator might be regulatory focus. Prior research shows that promotion-focused individuals might be more likely to retaliate against unfair treatment than their more prevention-focused counterparts (Brebels et al., 2008). Or, if loyalty status or group membership reflects the consumer’s level of inclusion in social groups, then such factors might influence how consumers react to procedural justice (van Prooijen et al., 2004).

Service recovery efforts

There is ample research examining how an organization’s service recovery efforts affect customers’ justice evaluations and, in turn, their satisfaction and loyalty behaviors (e.g., Homburg & Furst, 2005; Homburg et al., 2010).

Typically, customers expect to be compensated for the inconvenience caused by the service failure (Tax et al., 1998; Smith et al., 1999). Compensation is the most researched topic in complaint handling (Davidow, 2003) and tangible compensation for service recovery (e.g., free upgrades) has been shown to influence consumers’ perceptions of distributive justice (Mattila & Patterson, 2004b; Smith et al., 1999). As a result, many service organizations offer various combinations of refunds, credit, discounts and apologies to make peace with dissatisfied customers. The speed with which service failures are remedied is one of the major drivers of procedural justice (Blodgett et al., 1997; Tax et al., 1998). Moreover, courtesy, empathy (Tax et al., 1998) and politeness, concern and neutrality (Sparks & McColl-Kennedy, 1998, 2001) have been shown to influence customers’ overall perceptions of justice. The notion of apology is
somewhat controversial, as some studies view it as part of distributive justice (e.g. Collier & Bienstock, 2006; Davidow, 2003; McColl-Kennedy & Sparks, 2003) while others link apology to interactional justice (e.g. Goodwin & Ross, 1992; Mattila & Patterson, 2004b; Smith et al., 1999). Despite a growing interest in interactional treatment in explaining consumers’ reactions to dissatisfying incidents, research examining the role of explanations in mitigating the negative effects of service failures is relatively scant. The lack of interest in this area is surprising because attribution theory suggests that people tend to seek causal explanations for an event that is either surprising and/or negative (Folkes, 1988; Weiner, 1986). The findings of Mattila’s (2006) study imply that customer-contact employees might be able to influence post-recovery impressions by offering a causal explanation for a service failure. But as McColl-Kennedy and Sparks (2003) suggest, front-line employees need to be trained in the art of providing explanations. Explanations need to be both sincere and adequate in clarifying the causes for poor performance (e.g. Folger & Cropanzano, 1998).

Research bridging organizational theories with service recovery highlights the importance of employee actions on the justice–satisfaction link. For example, Maxham & Netemeyer (2003) demonstrate that employees’ extra-role behaviors influence customers’ perceptions of justice, satisfaction, word of mouth, and purchase intent. In a similar vein, Liao (2007) shows that while employee behaviors such as making an apology, problem solving, being courteous, and prompt complaint handling enhance customer satisfaction and repurchase intent, these effects are mediated by fairness perceptions.

The results from Orsingher et al.’s (2010) meta-analysis indicate that satisfaction with complaint handling is mainly affected by distributive justice, followed by interactional justice, and only weakly by procedural justice. The results from another meta-analysis by Gelbrich and Rosch (2011) support the following paths: “organizational responses (compensation, favorable employee behavior, and organizational procedures) → justice perceptions (distributive, interactional, and procedural justice) → post-complaint satisfaction (transaction-specific and cumulative satisfaction) → customer behavioral intentions (loyalty and positive word of mouth [WOM]).” Both meta-analyses provide strong evidence for the notion that justice mediates the impact of organizational responses on customer satisfaction.

Given the rapid increase in on-line and self-service technology (SST) encounters, there is a pressing need to understand how consumers react to technology-based failures (Meuter et al., 2003; Shapiro & Nieman-Gonder, 2006). Yet research on service recovery with technology-related failures is scarce (for notable exceptions see Holloway and Beatty, 2003; Harris et al., 2006b; Mattila et al., 2011). Previous work suggests that effective service recovery is hard, in particular with technology-related failures (Meuter et al., 2000). Generic recoveries (e.g. automatic e-mail reply), lengthy delays, poor customer support, poor communication and feelings of injustice are common problems with technology-based recovery efforts (Holloway & Beatty, 2003). Thus, service organizations need to find solutions to improve their on-line complaint handling systems. Moreover, companies need to pay attention to the click-of-the-mouse phenomenon as unfair treatment induces consumers to go viral (e.g., Ward & Ostrom, 2006).

### The impact of relationship types

Typically, customer satisfaction is influenced by the individual’s prior experiences with the service provider. There is some evidence to suggest that emotional bonding or relationship status might make customers more lenient towards service providers in the case of service failures (e.g. Mattila, 2004). On the other hand, researchers also argue that perceived losses arising from service failures are highly detrimental among customers with high prior cumulative satisfaction
Loyal customers might retaliate if they feel betrayed by a service failure (Grégoire & Fisher, 2008). Conversely, customers with low levels of emotional bonding might be highly “forgiving” as long as the service recovery is effectively handled (Mattila, 2004).

Relationship status is indeed a concept that is closely related to fairness. For example, Aggarwal and Larrick (2012) introduce the notion of communal versus exchange relationships to the recovery literature. Communal and exchange relationships were first identified in the interpersonal relationships literature (Clark, 1981; Clark & Mills, 1979; Clark, Mills & Corcoran, 1989) but have also been applied to consumer contexts (Aggarwal, 2004; Goodwin, 1996; Johnson & Grimm, 2010; Wan et al., 2011). In communal relationships, members benefit from each other on the basis of needs or to demonstrate general concern for each other’s welfare (Clark, 1984). Conversely, in exchange relationships, members benefit from each other in response to specific benefits received in the past or expected in the future (Clark & Mills, 1979; Mills & Clark, 1982). Aggarwal & Larrick (2012) show that consumers who have a communal relationship with a brand are more sensitive to interactional fairness under conditions of low distributive fairness while those who have an exchange relationship are more receptive when distributive fairness is high.

Building on the notion of communal versus exchange relationships, it would be interesting to see if customers in a communal relationship are more open to charitable contributions as a part of the service recovery effort. Corporate social responsibility (CSR) can be defined as a company’s commitment to minimizing or eliminating any harmful effects and maximizing its long-run beneficial impact on society (Mohr, Webb & Harris, 2001, p. 46). Companies have become increasingly interested in CSR as it seems to have a positive impact on consumers’ affective and behavioral responses (Barone, Miyazaki & Taylor, 2000; Brown & Dacin, 1997; Ellen, Webb & Mohr, 2006; Sen & Bhattacharya, 2001). Moreover, CSR has been linked to increased market value of the company (Luo & Bhattacharya, 2006; 2009) and better financial performance (Luo & Bhattacharya, 2006; McGuire et al., 1988; Stanwick & Stanwick, 1998). It would be interesting to see if CSR could mitigate the harmful effects of service failures and hence enhance consumers’ post-recovery fairness perceptions.

Third-party justice

Service failures are common and oftentimes such failures are witnessed by other customers, particularly in public settings such as retail stores, restaurants and hotels. Although there is ample research in the service recovery literature examining the effect of a service failure on the focal customer and their reactions to the situation (e.g., Smith et al., 1999; DeWitt et al., 2008; Brady et al., 2008; Grewal et al., 2008; Mattila & Patterson, 2004a, b) very little is known about how customers react to service failures that happen to other customers.

Given that it is generally assumed that all people in similar circumstances deserve equal treatment (Leventhal, 1980), the observation of another customer being treated unfairly should result in low fairness perceptions. Spencer and Rupp (2009) refer to perceptions of how fairly others are treated as third-party justice perceptions, and reactions to such perceptions as third-party justice effects. However, research examining why people react negatively to third-party injustice is scant. The interpersonal or relational model of justice suggests that people value fairness because the level of fair treatment informs them as to their social standing in the groups of which they are a member (Lind & Tyler, 1988; Tyler & Lind, 1992). Moreover, a series of studies by Turillo et al. (2002) demonstrate that when given the chance, people attempt to restore justice even when they stand to gain nothing by doing so and in situations where they
have no relationship with the wronged party. As an explanation for these results, Turillo et al. (2002) suggest that the subjects were motivated by deontological principles. The deontic perspective of fairness theory (Cropanzano et al., 2003; Folger & Cropanzano, 2001) postulates that people react to perceived wrongdoing not because of their own self-interest but due to an inherited predisposition to be sensitized to unfair treatments.

Prior research has examined third-party justice effects by manipulating the level of personal involvement with the third party and whether the source of information was direct or indirect (van den Bos & Lind, 2001). Yet, the condition of no personal involvement combined with indirect information has not yet been studied in the social justice literature. This, however, is a condition that occurs frequently in a retail or service setting. Often, the focal customer receives information by observing a service failure and recovery effort occurring to an unfamiliar customer. To that end, it would be interesting to examine consumers’ reactions to service failures and recovery efforts aimed at a third party.

**Emotions**

To better understand consumers’ reaction to service failures, recent research has examined the impact of emotions on service recovery efforts (e.g., Chebat & Slusarczyk, 2005; McColl-Kennedy & Sparks, 2003; Schoefer & Ennew, 2005; Smith & Bolton, 2002). Relying on Affect Control Theory as a theoretical framework, Chebat and Slusarczyk (2005) examine how positive and negative emotions mediate the effects of justice on loyalty. Their findings indicate that interactional justice is powerful in inducing both types of emotions. Distributive justice, on the other hand, influenced loyalty via symmetrical mediating effects of negative and positive emotions. Finally, procedural justice had asymmetric effects on emotions and behavior. In a later study by Rio-Lanza et al. (2009), procedural justice was the only fairness dimension linked to emotions. Other studies have also demonstrated the mediating role of emotions in the justice–loyalty/satisfaction link (e.g., DeWitt et al., 2008; Rio-Lanza et al., 2009; Schoefer & Diamantopoulos, 2008).

Since anger is the dominant affective reaction following a service failure, it is not surprising that studies have focused on this discrete emotion. For example, Kalamas et al. (2008) show that anger has a negative impact on customer satisfaction and justice perceptions. McColl-Kennedy et al. (2011) further demonstrate that the three dimensions of justice have a differential impact depending on whether the customer targets their anger at the front-line employee or at the organization as a whole.

However, prior research has failed to consider both the impact of incidental mood and specific emotions in influencing consumers’ fairness judgments. This omission is unfortunate as prior research in organizational justice shows that mood states in addition to discrete emotions influence people’s fairness judgments (Mullen, 2007; van den Bos & Lind, 2002; Sinclair & Mark, 1991; 1992). Yet, the literature in organizational justice has failed to consider the three constructs — mood, emotions and justice — in a single study (Cropanzano et al., 2011). Future research should examine the joint effects of incidental affect (mood) and integral affect (elicited by marketing stimuli) on consumers’ fairness perceptions in the context of service or product failures.

**Price fairness**

Xia, Monroe and Cox (2004) integrate the theoretical foundations of fairness perceptions and provide a summary of empirical findings on price fairness. Bechwati et al. (2009) propose three broad antecedents to perceptions of price unfairness. Consumers perceive price unfairness when
(1) they feel that the firm is making excessive profits, (2) they are not able to understand the pricing structure applied, and (3) they sense the firm is acting in an immoral or unethical manner.

To address some of these conditions, Bolton and her colleagues examined the role of the firm’s cost structure on consumers’ fairness perceptions. Based on the notion of dual entitlement principle, they argue that the price increases are likely to be perceived as fairer if they are cost-justified. Consumers appear sensitive to several reference points such as past prices, competitor prices, and cost of goods sold. Nevertheless, they tend to underestimate the impact of inflation, over attribute price differences to profit, and fail to take into account the full array of vendor costs (Bolton, Warlop & Alba, 2003). Bolton and Alba (2006) further show that that perceived fairness of the price increase is contingent on the alignability of the cost and price increases. In other words, alignable increases are considered as more acceptable than nonalignable increases.

Dynamic pricing practices have become popular with the increased penetration of the Internet. However, recent studies suggest that such pricing practices might have a negative impact on consumers’ fairness perceptions (Haws & Bearden, 2006). Consumers seem to have learned to accept dynamic pricing in certain contexts such as the hotel and the airline industry, but their reactions vary based on their familiarity with dynamic pricing. Wirtz and Kimes (2007), for example, show that framing and fencing had strong effects on perceived fairness when respondents were less familiar with dynamic pricing practice. Conversely, when familiarity was high, neither the framing nor fencing had a significant impact on fairness.

Even if consumers accept the notion of dynamic pricing in certain conditions, differential pricing at an individual level might lead to perceptions of unfairness. Charging different prices for an identical product based on the individual customer’s demographic profile might backfire as consumers are fast in revealing price information on the Web. For example, the verdict is still out for Orbitz.com’s decision to list different hotels in different price categories depending on whether the consumer is a PC or a Mac user. Do social comparisons made available via technology make fairness an even bigger issue in today’s hypercompetitive marketplace?

**Culture**

The concept of justice is likely to be universal across cultures, but its manifestations might differ based on cultural differences (Pillai et al., 2001; Greenberg, 2001). People in collectivist societies tend to emphasize relationship harmony, put high value on face and avoid conflicts (e.g., Morris & Leung, 2000). Conversely, subjective well-being is the main driver in individualistic cultures, including the U.S. (Brockener et al., 2000). Given these fundamental differences in core values of the society, it is not surprising that people’s perceptions of fairness are culturally dependent (e.g., Leung, 1997; Hui & Au, 2001). Prior research in organizational justice suggests that Western people tend to prefer the equity rule whereas Asian cultures put the emphasis on group harmony or equal treatment (Kim et al., 1998; Steiner & Gilliland, 2001; Miles & Greenberg, 1993).

In the context of service recovery, culture has been shown to play a major role in consumers’ reactions to service recovery strategies. For example, Patterson et al. (2006) show that Power Distance, Uncertainty Avoidance, and Collectivism, interact with consumers’ fairness perceptions. Similarly, individualism, masculinity (Kanousi, 2005), and long-term Orientation (Kanousi, 2005; Poon et al., 2004) are linked to service recovery expectations. Comparing three countries – Australia, the U.S., and Singapore – Wong (2004) found that compensation has a universal positive impact on the customer’s post-recovery perceptions while apology was more effective among the Singaporean and Australian samples. Mattila and Patterson (2004a) show that the “causal explanation” for service failure as a part of service recovery effort reduced internal attributions for U.S. customers whereas “explanation” had a minimal influence on East Asians.
Furthermore, compensation seems to drive customers’ fairness perceptions with American consumers. Finally, Schoefer (2009) shows that individuals’ cultural value orientations influence the impact of both cognitive (i.e., perceived justice-based) and affective (i.e., emotion-based) antecedents to recovery satisfaction.

In terms of pricing, Bolton et al. (2010) show that collectivist consumers are more sensitive to in-group versus out-group differences in pricing than individualist consumers. This is due to the fact that collectivist consumers tend to be concerned about “face” (i.e., status earned in a social network) that arises from in-group comparisons.

Future research might want to examine the impact of retailing policies in influencing consumers’ perceptions of complaint handling and service recovery practices. It can be argued that returning policies and service recovery efforts vary widely across the continents. Hence, is it really the culture that influences consumers' fairness perceptions or are their reactions driven by the norms in their respective societies? In addition, the notion of power at the individual level warrants future inquiry. Do the powerful in highly collectivist societies require truly special treatment in order to feel happy with a recovery process or is it the individualistic mindset that makes powerful people even more demanding?

Conclusions

This chapter offers a starting point for broadening our thinking on justice in the context of marketing. An integrative framework that includes both cognition and affect is needed to further our understanding of the complexities associated in people’s fairness perceptions in various marketing related contexts, including service encounters, service failures, complaint handling and pricing to mention a few. There is also an urgent need to understand how technology has changed people’s fairness perceptions, in particular among the young generations. Systematic empirical research is needed to tease out different facets of justice and their impact on important outcome variables such as customer satisfaction, loyalty and actual purchase behavior. We hope that this chapter will spark some interest among marketing scholars.

References


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