

Pocket change: When does corporate gratitude backfire

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Not too long ago, Microsoft mailed loyal Xbox customers an e-card encoded with twenty-five cents' worth of Microsoft points. The software behemoth might have thought it was showing appreciation. But recipients of the company's "generosity" might have felt "Is that all I'm worth?" According to a new study in the *Journal of Marketing*, companies that bestow monetary gifts in too small amounts can leave customers feeling, well, small.

"Financial acknowledgments, if they are too insignificant, can definitely backfire," write authors Peggy J. Liu (Duke University), Cait Lambertson (University of Pittsburgh), and Kelly L. Haws (Vanderbilt University). "We refer to this backfire phenomenon as the 'trivialization effect,' the notion that including a very small amount of money may devalue or trivialize a consumer's relationship with a company. In other words, something is not always better than nothing at all."

To test those claims, the authors set up seven studies in which participants were asked to provide reviews for both real and imaginary services. In all cases, participants were either simply thanked for their participation, or thanked and given a tiny monetary gift. In the first study, for example, guests at a full-service hotel conference center were asked to write a review of the conference center. They were then told that the center appreciated their participation, and shown a note that either simply thanked them, or thanked them and gave them \$.05.

Time and again, participants reacted positively to a simple thank you

note, but negatively when an unusually small amount of money was included. An interesting exception occurred when participants were told that the small amount would be donated to charity. The results showed conclusively that receiving an acknowledgment with a smaller-than-expected [financial benefit](#) can make people feel less appreciated than receiving no financial benefit at all. Once money is included, the consumer now evaluates the firm not just according to how appropriate the wording in the thank you note is, but how appropriate the financial reward is. The charity exception is important, suggesting that the effect might be avoided by directing small gifts toward charity rather than customers.

"It is important that managers not underestimate the value of a simple, verbal thank you. Second, managers should work to understand customer expectations regarding appropriate financial benefit levels. Finally, firms offering small financial rewards should consider directing the amount to a good cause. This has added benefits shown in prior research to benefit firms that engage in charitable giving," conclude the authors.

More information: Peggy J. Liu, Cait Lamberton, and Kelly L. Haws. "Should Firms Use Small Financial Benefits to Express Appreciation to Consumers? Understanding and Avoiding Trivialization Effects." Forthcoming in the *Journal of Marketing*.

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