

When perks don't work: Unearned upgrades embarrassing for consumers

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(Phys.org) —New research from UBC's Sauder School of Business reveals that giving a free bump in service can backfire for retailers if the perk is given randomly in front of others.

The new paper shows that consumers experience social discomfort when singled out for spontaneous special treatment, which may cause them to close their wallets.

"Managerial wisdom guiding service and retail industries assumes that consumers get an uptick in esteem when they're allowed to skip a queue or get an upgrade," says Assistant Professor JoAndrea Hoegg, a co-author of the forthcoming study to be published in the *Journal of Consumer Research*. "But our research shows that when people get unearned freebies in front of others they experience a social awkwardness that makes them less inclined to consume."

In one of a series of experiments, researchers treated participants at a product booth in two different ways. One group received free [personal care products](#) in return for "[customer loyalty](#)" and another received free products with no explanation. Some bonus transactions were witnessed, and some were private.

Results show that when the free samples were received with no explanation in front of observers, participants were less satisfied with them. The research also shows that the decline in satisfaction was driven by feelings of social discomfort, and that those who received extra samples without reason browsed for a shorter time at the booth.

"Our research suggests that if a firm is randomly selecting people to receive perks, they should make sure they receive them in private. If doing it in public, it's best that everyone knows the customer earned the upgrade to avoid unwanted [embarrassment](#)," says Hoegg.

The study, *Consumer Reaction to Unearned Preferential Treatment*, was co-authored by Assistant Professor Hoegg and Professor Darren Dahl from the Sauder School of Business, and Assistant Professor Lan Jiang from the University of Oregon.

Provided by University of British Columbia

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