ENHANCEMENT MOTIVATION DERIVED FROM ENVY: THE POSITIVE INFLUENCE OF WATCHING OTHERS RECEIVE PREFERENTIAL TREATMENT

By

YU-SHAN (SANDY) HUANG

Bachelor of Business Administration in Marketing
Pittsburg State University
Pittsburg, Kansas
December, 2010

Master of Business Administration in International Business
Pittsburg State University
Pittsburg, Kansas
May, 2012

Submitted to the Faculty of the
Graduate College of the
Oklahoma State University
in partial fulfillment of
the requirements for
the Degree of
DOCTOR OF PHILOSOPHY
May, 2017

ENHANCEMENT MOTIVATION DERIVED FROM ENVY: THE POSITIVE INFLUENCE OF WATCHING OTHERS RECEIVE PREFERENTIAL TREATMENT

Dissertation Approved:

Tom J. Brown, , Ph.D.

Dissertation Adviser

Todd J. Arnold, Ph.D.

Kevin E. Voss, Ph.D.

Cynthia Wang, Ph.D.

.

ACKNOWLEDGEMENTS

First and foremost, I want to thank my advisor Dr. Tom Brown. It has been my honor and pleasure to be one of his Ph.D. students. I appreciate all his contributions, ideas, time, advice and funding to ensure my Ph.D. experience is productive and stimulating. Dr. Brown's enthusiasm and great work ethic were contagious and motivational for me, especially through tough times. He has constantly encouraged and motivated me to strive for the best in every research project. As a great mentor in the academia world, I am certainly thankful for the excellent example and integrity that he has shown as a successful Marketing Professor.

I would like to give special thanks to the committee members of this dissertation: Dr. Todd Arnold, Dr. Kevin Voss and Dr. Cynthia Wang. I am grateful not only for all the advice provided, but also for each of their volunteered time and effort to ensure this dissertation came to fruition. I am especially appreciative of this dynamic and proactive committee.

In addition, I would take this opportunity to extend my utmost gratitude and thanks to the Department of Marketing at Oklahoma State University, especially Dr. Josh Wiener. The Department of Marketing has blessed me immensely by providing generous funding throughout this Ph.D program. Moreover, I am especially gratified by the additional financial support and recognition from the Phillips Dissertation Fellowship Grant and Ph.D. for Executives Program Funding. A notable mention is reserved also to Dr. James Pappas and Dr. Karen Flaherty-Pappas for providing funding through Pappas Family Scholarship.

Furthermore, I would like to extend a huge thanks to fellow doctorate students and friends for all the joy and support (social and emotional) throughout the years. Advice and lessons learned from fellow co-workers will influence me positively throughout my future career. My time at Oklahoma State University could not have been so wonderful and complete without all of them.

Last, but not least, I would like to thank my family and husband for all the endless support, love and encouragement. All of them have stood steadfastly beside me during the most trying of times. There are no words to describe how grateful I am for all the sacrifices and love that they poured out to me.

In closing, I dedicate this dissertation to everyone who has played a pivotal part not only in the academic success, but also as a part of a support and love system that has continuously shaped me to the person I am. I promise to continue to strive for success in my future endeavor.

Acknowledgements reflect the views of the author and are not endorsed by committee members or Oklahoma State University.

Name: YU-SHAN HUANG

Date of Degree: MAY, 2017

Title of Study: ENHANCEMENT MOTIVATION DERIVED FROM ENVY: THE POSITIVE INFLUENCE OF WATCHING OTHERS RECEIVE PREFERENTIAL TREATMENT.

Major Field: BUSINESS ADMINISTRATION

Abstract: As a strategy to build loyal relationships with highly profitable customers, the practice of customer prioritization has been widely adopted by a variety of firms in service industries. Although prior research has shown there is value creation in allocating more resources to prioritized customers, nonprioritized customers were found to respond negatively to this practice. Given that unhappy customers can be costly to a firm and that it is common for a firm to have some desirable customers who are not in the position of receiving preferential treatment, it is important to investigate how to encourage positive responses from nonprioritized customers. In the current research, I aim to address this issue by drawing on social comparison theory. In particular, I propose that in the case of watching other customers receive preferential treatment, customers are likely to feel the emotion of envy toward the preferentially treated customers. The revenge motivation resulting from this envy can drive the unfavorable response of negative word of mouth, whereas the self-enhancement motivation derived from the envy can bring about the favorable response of program participation. The boundary conditions of rule knowledge and attitudinal loyalty were identified. Two studies were conducted to examine the proposed research. The first study experimentally manipulated preferential treatment and knowledge of reward program rules using video-based scenarios (N = 303). The second study investigated the complete conceptual model with a field study of hotel customers (N = 529). Across the two studies, two double-mediation paths were confirmed, but a moderating effect of rule knowledge and attitudinal loyalty was not found. Follow-up analysis suggested the potential moderator role of rule appropriateness. The research contributes to a growing body of knowledge about envy, customer prioritization, and social comparison. It also provides recommendations for marketing practitioners with respect to managing customer prioritization practices to build long-term relationships with customers.

TABLE OF CONTENTS

Chapter Page

I. INTRODUCTION 1

1.1. Customer Prioritization Practice 1
1.2. Purpose of the Study 4
1.3. Proposed Model 6
1.4. Theoretical Significance 9
1.5. Managerial Significance 10
1.6. Organization of the Dissertation 11

II. REVIEW OF LITERATURE 12

2.1. Introduction 12
2.2. Social Comparison Theory 13
2.3. Customer Prioritization 20
2.3.1. The Rewards Characteristics and Preferential Treatment 20
2.3.2. Prioritized consumers' Reaction to Preferential Treatment 23
2.3.3. Non-prioritized consumers' Reaction to Preferential Treatment 25
2.4. Envy 28
2.5. Summary 33

III. CONCEPTUAL MODEL AND RESEARCH HYPOTHESES 34

3.1. Introduction 34
3.2. Research Context and Overview 34
3.3. Qualitative Interviews 36
3.3.1. Sample and Interview Format 37
3.3.2. Data Analysis 38
3.3.3. Findings 40
3.3.4. Summary 46
3.4. Research Hypotheses 44
3.4.1. The Effect of Preferential Treatment on Envy 44
3.4.2. The Effect of Envy on Revenge Motivation 47
3.4.3. The Effect of Envy on Self-enhancement Motivation 48
3.4.4. The Moderating Role of Knowledge 50
3.4.5. The Moderating Role of Attitudinal Loyalty 53
3.4.6. The Effect of Revenge Motivation on Negative WOM 55
3.4.7. The Effect of Self-enhancement Motivation on Participation 56
3.5. Summary 58

Chapter Page

IV. RESEARCH DESIGN AND METHODOLOGY 59

4.1. Introduction 59
4.2. Study 1 60
4.2.1. Study 1 Sample and Procedure 61
4.2.2. Study 1 Study 1 Manipulation 62
4.2.3. Study 1 Study 1 Measures 64
4.2.4. Study 1 Data Analysis Plan 66
4.3. Study 2 67
4.3.1. Study 2 Sample and Procedure 68
4.3.2. Study 2 Measures 69
4.3.3. Study 2 Data Analysis Plan 70
4.4. Summary 72

V. DATA ANALYSIS AND RESEARCH FINDINGS 73

5.1. Introduction 73
5.2. Study 1 74
5.2.1. Study 1 Respondent Screening and Sample Characteristics 74
5.2.2. Study 1 Data Cleaning and Measurement Quality Assessment 76
5.2.3. Study 1 Summated Scale Descriptives 79
5.2.4. Study 1 Hypothesis Testing 81
5.2.5. Study 1 Discussion 89
5.3. Study 2 90
5.3.1. Study 2 Respondent Screening and Sample Characteristics 90
5.3.2. Study 2 Data Cleaning and Measurement Quality Assessment 93
5.3.3. Study 2 Potential Measurement Issue 96
5.3.4. Study 2 Summated Scale Descriptives 97
5.3.5. Study 2 Hypothesis Testing 99
5.3.6. Study 2 Discussion and Follow-up Analysis 104
5.4. Summary 107

VI. DISCUSSION AND CONCLUSION 109

6.1. Introduction 109
6.2. Dissertation Overview and Findings 109
6.3. Theoretical Implications 114
6.4. Practical Implications 115
6.5. Limitation and Future Research Directions 117

REFERENCES 119

APPENDICES 127

Appendix A – Study 1 IRB Approval 127
Appendix B – Study 2 IRB Approval 128
Appendix C – Qualitative Interview Coding Summary 129
Appendix D – Study 1 Manipulations and Measurement Instrument 134
Appendix D – Study 2 Survey Instrument 141

LIST OF TABLES

Table Page

2-1. Summary of the Influence of Reward Characteristics 21
3-1 Sample of Comments Supporting Emotional Response Types 39
5-1. Thought Listing Responses from Nonengaged Participants 75
5-2. Sample Characteristics Break Down by Program Participation 76
5-3. Sample Characteristics Break Down by Elite Status 76
5-4. Study 1 Full Measurement Model 78
5-5. Descriptive Statistics, Variable Intercorrelations, and Reliability 80
5-6. Study 1 Moderated Mediation Effect on Revenge Motivation 86
5-7. Study 1 Moderated Mediation Effect on Self-Enhancement Motivation 87
5-8. Study 1 Effect of Motivation on Negative WOM 88
5-9. Study 1 Effect of Motivation on Participation 89
5-10. Sample Characteristics Breakdown by Age 91
5-11. Sample Characteristics Breakdown by Hotel Stays Per Year 91
5-12 Sample Characteristics Breakdown by Program Participation. 92
5-13. Sample Characteristics Breakdown by Elite Status 92
5-14. Full Measurement Model 94
5-15. Study 2 Descriptive Statistics, Variable Inter-Correlations, and Reliability 98
5-16. SEM Results for the Main Effect Model 102
5-17. Hierarchical Regression Results of Rule Knowledge Moderation Testing 103
5-18. Hierarchical Regression Results of Attitudinal Loyalty Moderation Testing 103
5-19. Hierarchical Regression Results of Rule Appropriateness Moderation Testing 106

LIST OF FIGURES

Figure Page

1-1. Proposed Model....9
3-1. Conceptual Model....45
4-1. Proposed Interaction of Rule Knowledge....67
4-2. Proposed Interaction of Attitudinal Loyalty....71
5-1. The Interactive Effect of Envy and Knowledge on Revenge Motivation....84
5-2. The Interactive Effect of Envy and Knowledge on Self-Enhancement Motivation....88
5-3. The Effect of Envy and Appropriateness on Enhancement Motivation....107

CHAPTER I

INTRODUCTION

"For example, going through a flight, you will see…that loyalty programs allow certain customers access to perks. So I guess it can be annoying… On the one hand, obviously I am a little bit jealous. On the other hand, I totally have capitalized prior special deals so I can't say much. They managed to find a way to capitalize on this and score a good deal. I need to search it out myself as well."

-Male, 31, Physician

1.1. Customer Prioritization and Preferential Treatment

Across a broad range of service industries, companies in the U.S. spend over $1.2 billion on customer loyalty programs each year (Steinhoff & Palmatier, 2014; Wagner, Hennig-Thurau, & Rudolph, 2009). It is a commonly accepted notion that companies should recognize the profitability of individual customers and put more effort into taking care of those who are highly profitable to better manage customer relationships (Bowman & Narayandas, 2004). In fact, frequent customers are generally viewed as more profitable, so companies are believed to be better off allocating more resources to those

customers (Homburg, Droll, & Totzek, 2008). Accordingly, a growing number of companies have started to explore ways to select customers, such as basing customer selection on projected customer lifetime value (Venkatesan & Kumar, 2004), and to explore ways to implement customer prioritization strategies by categorizing customers into different tiers (Drèze & Nunes, 2009) and treating top-tiered customers preferentially (Lacey, Suh, & Morgan, 2007). For example, Delta Airlines prioritizes its customers by employing a medallion program to create nonmedallion, silver, gold, platinum, and diamond status for customers based on their purchase behavior. They then provide customer services corresponding to the tiered levels.

Customer prioritization strategies are considered profitable not only because they facilitate the development of good relationships with valuable customers, which reduces sales costs and increases return on sales (Homburg et al., 2008), but also because they encourage relationship commitment as well as purchases and positive word-of-mouth (WOM) behaviors (Lacey et al., 2007). Yet, many customer prioritization programs fail to accomplish the expected goals (Nunes & Drèze, 2006). For example, Safeway, a well-known supermarket chain in North America, gave up its loyalty scheme because of the monetary losses associated with problems in program efficiency (Meyer-Waarden, 2007). Many of these programs have even been considered "shams" because of the problems associated with them (e.g., the increase in liabilities resulting from future rewards; Shugan, 2005).

One explanation of the failure of customer prioritization practices is that preferential treatment often leads nonprioritized customers to feel abandoned (Haenlein & Kaplan, 2010). "Nonprioritized customers" refer to those who are either not members of a reward program or bottom-tiered members who are therefore not qualified to receive preferential treatment.

Although prior research has shown the benefits of practicing customer prioritization, it is important to note that the practice can backfire by triggering negative reactions from nonprioritized customers. In response to others' preferential treatment, nonprioritized customers tend to develop negative attitudes toward the practicing companies, such as the perception of unfairness (Steinhoff and Palmatier, 2014) and decreased purchase intention (Haenlein & Kaplan, 2010). As a result, the practice of preferential treatment has been criticized as ignoring nonprioritized customers by limiting their access to customer services and fostering resentment. In particular, those who are loyal but do not spend enough to obtain the prioritized status are even more likely to feel underappreciated, victimized, and trapped. Thus they may react more negatively (Fournier, Dobscha, & Mick, 1998). In turn, it is important to recognize that nonprioritized customers can have attitudinal loyalty and to explore how attitudinal loyalty influences those customers' responses.

As the literature on customer prioritization has primarily focused on focal/target consumers' reactions to loyalty programs, Henderson, Beck, and Palmatier (2011) call for research that takes "cross-customer effects" into account by examining the influence of customer prioritization on nontargeted consumers. It is essential to understand nonprioritized customers' reactions toward preferential treatment because there are some customers who are desirable but not qualified to receive preferential treatment (Thompson, Gooner, & Kim, 2015). In addition, the awareness of treatment differences is even more likely with technological advances, which enable customers to share their service experiences more easily through social media. For instance, a prioritized customer may describe the preferential treatment received from a hotel when sharing his/her traveling experiences on

Trip Advisor, a currently popular online tool for sharing word-of-mouth about travel-related businesses.

Recognizing the received view that customer prioritization practices negatively influence nonprioritized customers' experiences, it is arguable that these customers respond to witnessing preferential treatment with undesirable behaviors such as negative WOM or dysfunctional customer behavior to get even with the company. For example, a nonprioritized consumer can feel unhappy about his/her relatively inferior service treatment, and this unfavorable service experience can further lead him/her to spread negative WOM to discourage other potential customers from making a purchase and to engage in dysfunctional behavior to demand for special treatment. As having unhappy customers is very costly to a company (Buttle, 1998), and there are some desirable customers who have not yet earned preferential treatment (Thompson et al., 2015), it is essential to understand ways to motivate nonprioritized customers to respond positively (Steinhoff & Palmatier, 2004) as opposed to making them angry, thereby prompting them to behave negatively. In this research, I investigate this important yet overlooked topic by suggesting the possibility that nonprioritized customers can be motivated to engage more in loyalty reward programs rather than reacting negatively after watching other people get preferential treatment.

1.2. Purpose of the Study

The purpose of this dissertation is to examine how and when companies can motivate nonprioritized consumers (those customers who are desirable but currently unqualified to receive preferential treatment) to engage more in a reward program and mitigate their negative reactions. Examining this issue is important because motivating existing consumers

to participate in loyalty programs and to spend more is one goal of customer prioritization strategies (De Wulf, Odekerken-Schröder, Canniére, & Van Oppen, 2003; Steinhoff & Palmatier, 2014). Previous literature on customer prioritization (e.g., De Wulf, Oderkerken-Schröder, & Canniére, 2001; Drèze & Nunes, 2009; Homburg et al., 2008) has mainly focused on the value-enhancement of allocating resources to profitable customers while recognizing the potential backfire associated with nonprioritized customers' negative reactions. My research considers the possibility that some nonprioritized customers will be motivated to become active prioritized consumers based on their reaction to observing others who receive preferential treatment, a key yet overlooked issue.

One way to understand this issue is from the social comparison perspective (Steinhoff & Palmatier, 2014). As individuals tend to compare themselves to others who are similar to them (Suls, Martin, & Wheeler, 2002), consumers are likely to compare their service treatment to that of other consumers. In response to the preferential treatment received by prioritized consumers, nonprioritized consumers are likely to feel uncomfortable about their relatively inferior position. In particular, one of the most commonly occurring emotional reactions is envy, which refers to a painful emotion derived from the nonprioritized consumer's perception of holding an inferior position relative to the superior position of prioritized consumers (Cohen-Charash & Mueller, 2007). As an emotion that influences consumer decisions, envy appears to be a relevant but underexplored concept in marketing research (Henderson et al., 2011). Although scholars have traditionally viewed envy as the driver of hostile responses (Smith & Kim, 2007), envy has recently been recognized in the literature as the key factor to facilitate self-enhancement and encourage positive responses. Specifically, scholars have demonstrated that envy can lead people to admire an envied target

and to put in extra effort to raise their level to the superior position of the envied target (Van de Ven, Zeelenberg, & Pieters, 2009). In sum, this alternative perspective has emphasized benign behavioral expressions of envy.

Building on the notion that envy can be constructive and bring positive responses, I propose that nonprioritized customers who feel envious toward preferentially treated others can experience self-enhancement motivation to keep up with the envied others. In particular, I expect that the self-enhancement motivation derived from envy is one of the key drivers that motivates existing consumers to become active prioritized consumers. That said, it is important to acknowledge the findings from prior research (e.g., Haenlein & Kaplan, 2010; Steinhoff & Palmatier, 2014) and to note that nonprioritized consumers can also react negatively toward others' preferential treatment. In turn, when it comes to the situation in which nonprioritized consumers are aware of other consumers' preferential treatment, it becomes essential to understand the following questions: (1) what are the desirable and undesirable responses of nonprioritized customers? and (2) how can companies encourage the desirable responses and discourage the undesirable responses?

1.3. Proposed Model

To address these questions, I draw upon social comparison theory to propose a conceptual model that explains the responses of nonprioritized customers resulting from their upward comparison with preferentially treated customers. Because upward social comparisons draw a person's attention to the relative superiority of others, it is natural for the person to feel envious (Smith, 2000). In a similar vein, I propose that witnessing other customers' preferential treatment, which is conceptualized as the practice of providing

certain customers perks beyond the standard value propositions of a company (Lacey et al. 2007), is a cue of upward social comparison that leads nonprioritized customers to experience envy toward the preferentially treated others. Because envy is a complex social emotion that can drive positive and negative behavioral tendencies at the same time (Tai, Narayanan, & McAllister, 2012), I propose that nonprioritized customers can respond to envy toward preferentially treated others with both a desire to retaliate against the company (i.e., revenge motivation) and a desire to earn the preferential treatment for themselves (i.e., self-enhancement motivation).

The effect of envy on these outcomes is not uniform across individuals however. I propose that the knowledge of preferential treatment rules will moderate the effect of envy on these two motivations. Because upward social comparison is more likely to trigger the benign expression of envy and is less likely to drive malicious expressions of envy when others' superiority is perceived as deserved (Van de Ven, Zeelenberg, & Pieters, 2011a), understanding why others receive preferential treatment, a construct I label "rule knowledge," becomes a key concept in my conceptual model. As rule knowledge increases for nonprioritized customers, two important things happen to their motivations. First, understanding why some customers receive preferential treatment and how the process works strengthens the motivation to improve their existing position, as nonprioritized customers feel envious toward the preferentially treated customers. Second, increasing rule knowledge serves to weaken the effect of envy on revenge motivation, which refers to the desire of nonprioritized customers to hurt a firm (Gregoire, Tripp, & Legoux, 2009).

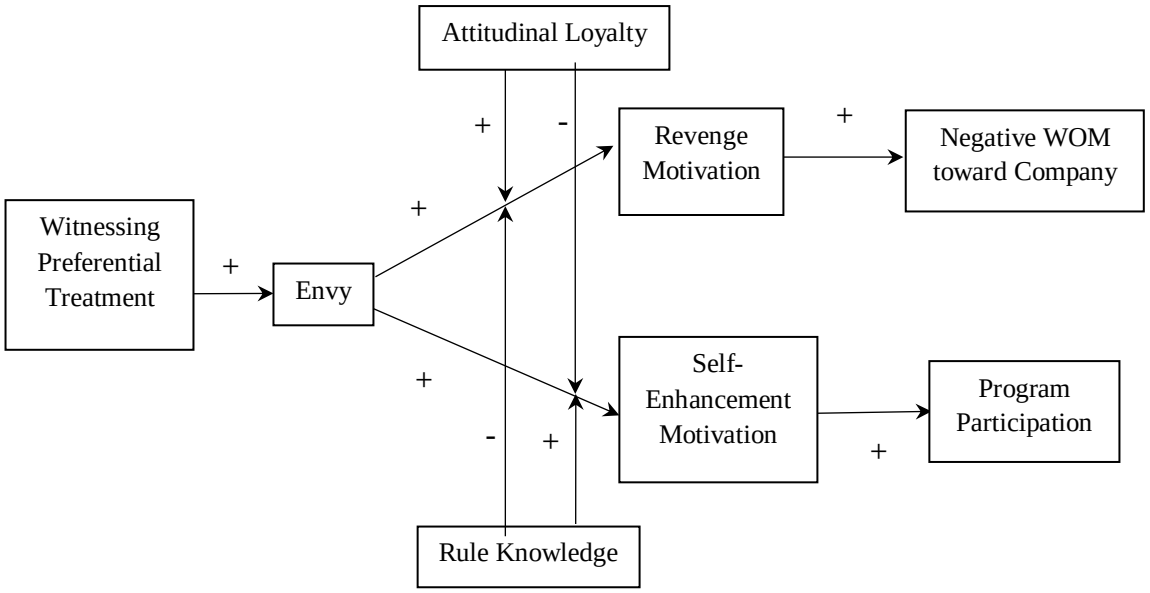
In addition, I identify the boundary condition of attitudinal loyalty, given that the fundamental ideal of reward programs is to build loyalty with customers via rewards (Wirtz,

Mattila, & Lwin, 2007). Attitudinal loyalty refers to the extent to which nonprioritized consumers feel psychological attachment to a company brand (Wirtz et al., 2007). Although some customers may not meet the standards for obtaining rewards (or may not have enrolled in the loyalty program), it is still possible that they have developed attitudinal loyalty toward the brand or company. Even though attitudinal loyalty has traditionally been viewed as a key driver of favorable customer outcomes (Reichheld, 2003; Reinartz & Kumar, 2000), the love-hate relationships literature suggests that strong-relationship customers are more likely to feel underappreciated and react in an unfavorable manner when they are influenced by a negative service event (Grégoire et al., 2009). Given that watching other customers receive preferential treatment can be considered as a negative service experience, the envy toward preferentially treated customers is proposed to exert a stronger effect on revenge motivation and a weaker effect on self-enhancement motivation when a nonprioritized customer has a high level of attitudinal loyalty.

In terms of the behaviors driven by these motivations, self-enhancement motivation leads nonprioritized customers to participate in loyalty reward programs in order to earn preferential treatment for themselves as a means of resolving the tension produced by the unfavorable upward social comparison. The rationale is that self-enhancement motivation leads individuals to treat the superior comparison other as a role model and drives them to put in more effort in order to level themselves up for the purpose of obtaining the same position (Van de Ven et al., 2009). On the other hand, if nonprioritized consumers respond with revenge motivation toward the company, they are likely to engage in negative WOM because hostile intentions often drive customers to retaliate against a company via negative WOM (Wetzer, Zeelenberg, & Pieters, 2007). Negative WOM, defined as unfavorable

communications among customers regarding products, services, or brands (Arndt, 1967; Wangenheim, 2005), is the focused negative behavior because it plays a vital role in affecting consumers' product judgements (Bone, 1995), brand evaluations (Laczniak, DeCarlo, & Ramaswami, 2001), and purchase intentions (Bansal & Voyer, 2000). The proposed research model is shown in Figure 1-1.

Figure 1-1. Proposed Model



1.4. Theoretical Significance

This dissertation aims to contribute in various ways to the marketing literature by exploring nonprioritized consumers' reactions to the observed preferential treatment received by prioritized consumers. First, while prior research mainly focused on the positive reaction of prioritized consumers and negative reaction of nonprioritized consumers, the current study contributes to the customer prioritization literature by investigating how and when nonprioritized customers react positively to others' preferential treatment. In addition, the

study broadens the envy literature by examining how and when envy can play a motivational role in facilitating marketing strategies and encouraging positive customer outcomes by exploring the factors of rule knowledge and attitudinal loyalty.

Furthermore, the literature on social comparison (e.g., Collins, 1996; Sundie, Ward, Beal, Chin, & Geiger-Oneto, 2009) has primarily focused on individuals' reactions toward a comparison target who has better abilities or performance. Chan and Sengupta (2013) first attempted to examine the role of the third party who contributes to others' superior positions; the current research builds on this perspective and provides further insights into the social comparison involving the third party by identifying the factors characterizing the interactional nature as well as the behavioral responses relevant to managerial practices.

1.5. Managerial Significance

In terms of managerial implications, the current dissertation provides recommendations that can aid marketing managers in successfully implementing customer prioritization strategies. Given that it is common to have some desirable customers not in a position to earn preferential treatment (Thompson et al., 2015), how to motivate those existing consumers who are aware of others' preferential treatment to become prioritized consumers rather than hostile nonprioritized consumers is key to the success of customer prioritization management. In particular, this dissertation suggests that the emphasis should be on producing nonprioritized consumers' self-enhancement motivation derived from the envy toward preferentially treated consumers while reducing their revenge motivation toward the company practicing customer prioritization.

This emphasis can be achieved by clearly communicating the reward rules when treating prioritized customers preferentially. For example, a hotel can provide prioritized customers free goodie bags and breakfast vouchers upon check-in while having a big sign regarding the reward program information available on the reception counter to explain that these "extras" are rewards for program members. This strategy is less likely to be effective when a nonprioritized customer is attitudinally loyal because the literature on love-hate relationship suggests that strong-relationship customers tend to feel betrayed and respond more negatively when it comes to an undesirable event. In turn, companies should determine the attitudinal loyalty information of their nonprioritized customers. One possible way to do this is to have customers indicate their attitudinal loyalty in a feedback survey. Based on this logic, it is important for managers to note that a nonprioritized consumer can have attitudinal loyalty even though his/her current spending on a company does not demonstrate behavioral loyalty.

1.6. Organization of the Dissertation

The current dissertation consists of six chapters. In this first chapter, the research issue, study purpose, and proposed model as well as the theoretical and practical contributions are introduced. Chapter II reviews the pertinent literature, including social comparison theory, customer prioritization, and envy literatures. Chapter III provides a detailed explanation for the development of the proposed model and hypotheses. Chapter IV proposes the research methodology for empirical testing. Chapter V explains the results from the analysis and summarizes the hypotheses testing. Lastly, Chapter VI discusses the research findings, contributions, limitations, and directions for future research.

CHAPTER II

LITERATURE REVIEW

2.1. Introduction

Prior research suggests that the practice of customer prioritization is a strategy that creates value for companies (Homburg et al., 2008; Lacey et al., 2007). Yet there is evidence that nonprioritized customers feel abandoned and react negatively to the practice (Haenlein & Kaplan, 2010; Steinhoff and Palmatier, 2014). Given that unhappy customers are costly to companies (Buttle, 1998) and that some desirable customers are not in the prioritized position to receive the preferential treatment (Thompson et al., 2015), this research aims to explore how nonprioritized customers respond positively and negatively to witnessing preferential treatment and when positive responses are encouraged.

I plan to address the research issue from the social comparison perspective and propose that the self-enhancement motivation derived from envy toward preferentially treated customers is key to producing the positive responses of nonprioritized customers. The current chapter reviews social comparison theory and related literature (i.e., customer prioritization and envy) in depth. There are five sections

in this chapter. The first section is the overview of this chapter. The second section emphasizes the theoretical foundation of the proposed research model. Specifically, I explain social comparison theory and delineate the rationale to use it as the primary theoretical framework to explain the interested phenomenon.

The third section provides a thorough review of the literature on customer prioritization. I begin the section by explaining the fundamental notion of the practice of treating prioritized consumers preferentially, and then I outline different characteristics of preferential treatment rewards provided to prioritized consumers. This outline is followed by a discussion of how prioritized and nonprioritized consumers react differently to preferential treatment practices. In the fourth section, I review the literature on envy and delineate how envy serves as a product of social comparison that drives a person's behavior. Finally, the fifth section concludes the chapter by briefly summarizing the literatures on social comparison, customer prioritization, and envy, drawing connections among these literatures.

2.2. Social Comparison Theory

Given that it is hard to use absolute terms to understand the world, it is a pervasive phenomenon for an individual to compare him/her self with others to gain a relative understanding of himself/herself. Social comparison theory can be viewed as a way to learn one's self-concept, which refers to the information that one has about who he/she is. In general, there are two primary factors that motivate people to engage in social comparison: the need for self-evaluation (Festinger, 1954) and the desire for self-enhancement (Tesser, 1988). In terms of the self-evaluation motive, social comparison is driven by the need of cognitive clarity to evaluate one's opinions and abilities (Festinger, 1954). This argument is

based on the assumption that individuals are motivated to appraise their opinions and capabilities and to evaluate whether the appraisal is correct (Festinger, 1954). This self-evaluation is particularly salient when objective or nonsocial means of evaluation are absent, such that the only information available is the subjective evaluation via social comparison (Festinger, 1954). Because the comparison with a divergent target tends to result in less accurate evaluations, people are more likely to compare with similar others to form a more stable and accurate subjective evaluation (Suls et al., 2002).

In addition, social comparison can be motivated by the drive of maintaining or increasing an individual's self-evaluation. When the self-enhancement motive drives a person to compare him/her self with superior others, the relevance of comparison matters is key to determining the underlying process. If the comparison matter is highly relevant, the focal individual is motived to protect his/her self-evaluation by reducing the relevance of the matter, altering the perceived similarity with the comparison target, or improving one's own performance (Tesser, 1988). Meanwhile, if the comparison matter is low in relevance, the focal individual is motivated to enhance self-concept by reflecting the glory of the superior other (Tesser, 1988). One example for the phenomenon of reflected glory is that in an experimental study, students were found to be more likely to describe the victory of their football team with the pronoun "we" rather than "they" (Cialdini, Borden, Thorne, Walker, Freeman, & Sloan, 1976). In other words, when the superior other outperforms the focal individual on the minimally relevant matter, the focal individual is likely to associate himself/herself with the superior other to reflect the glory. On the other hand, a self-enhancement motive can also drive individuals to compare with people who are in a less fortunate situation in order to protect self-concepts (Wills, 1981).

In sum, the tenet of social comparison theory suggests that individuals consciously compare themselves with others for the purpose of self-enhancement and self-evaluation. To get further insights into the comparison process, it is important to understand that social comparisons generally occur in two different forms (Smith, 2000): (1) a downward comparison (i.e., comparing with someone who is worse off), and (2) an upward comparison (i.e., comparing with someone who is better off). Downward comparison occurs when an individual compares with others in an inferior position in order to enjoy the relative advantage (Wills, 1981). In other words, downward comparison can serve as a strategy to cope with threatened self-concepts in order to maintain or enhance subjective well-being. On the other hand, upward comparison occurs when people compare with someone in a superior position in order to associate themselves with their betters (Smith, 2000). Although an individual can feel threatened by the relative disadvantage, the comparison with superior others can also provide inspiration and hope to improve one's own position. In fact, people were found to intentionally compare with superior targets to have a more positive self-view because they want to believe that they are similar with their betters and can attain the superior position (Collins, 2000).

In response to the discrepancy with superior others, one can choose to either cease the comparison or reduce the discrepancy. When a comparison target is perceived as divergent from one's situation, the individual is more likely to have the tendency of stopping the comparison by redefining the comparison group's composition to exclude those people who are dissimilar (Festinger, 1954). As continuous comparisons with those dissimilar others imply unfavorable consequences, the process of making others incomparable signals the inability to obtain the superior position and is accompanied by negative emotions (Festinger,

1954). There are three common types of negative emotions (Smith, 2000): resentment (i.e., hostile feelings toward the upward comparison other), depressive feelings (i.e., feelings of inferiority created by other's advantages), and envy (i.e., painful feelings regarding another's relative advantage). The negative emotional responses are even more likely to occur when the superiority of an upward comparison target is perceived as unjustified (Smith, 2000).

On the other hand, when a person considers himself/herself similar to a comparison person in some aspects, the comparison target can be perceived as a proxy to suggest the possibility of eliminating the discrepancy and improving one's position (Wheeler, Martin, & Suls, 1997). In this situation, the process to assimilate with the comparison target is likely to bring about positive emotions, which includes optimistic feelings about one's self-concept, feelings of admiration regarding others' praiseworthy action, and feelings of inspiration in terms of the positive expectation for one's self-enhancement in the future implied by the admired other's example (Smith, 2000). These positive feelings tend to be stronger when the superior other is viewed as deserving the position (Smith, 2000).

In order to have an in-depth understanding of people's responses to social comparison, it is critical to explore the factors that facilitate the comparison processes. The process to assimilate with the comparison target is often facilitated by the perception that the status of the comparison target is attainable, by beliefs that a focal individual is similar to the comparison target on those relevant attributes, and by the situation that the connection or identification with comparison others is strong and salient (Suls et al., 2002). Meanwhile, the process of contrasting with the comparison target is often promoted by the distinctiveness of an individual's self-concept, by the dissimilarities with the comparison other, and by the accessibility of the information suggesting the incongruence between the focal individual and

the comparison target (Suls et al., 2002). Regardless of the type of comparison process, social comparison tends to become more salient when the comparison matters are important and when the comparison attributes are relevant (Festinger, 1954). Building on this rationale, I argue that a company's prioritization practice is more important and relevant to attitudinally loyal customers. In turn, I propose that attitudinal loyalty can moderate the influence of witnessing others' preferential treatment on nonprioritized customers.

Given that the focus in this research is on how nonprioritized customers react to others' preferential treatment, social comparison theory is the primary theoretical base to approach phenomenon from the perspective of social comparisons between prioritized customers and nonprioritized customers. As witnessing other customers' preferential treatment highlights the relative superiority of those customers and provides a cue to drive upward social comparison, it is natural for a nonprioritized customer to feel envious toward the preferentially treated customers. In fact, envy is a complex social emotion that can produce both positive and negative responses. While the negative responses of nonprioritized customers are consistent with the findings in existing literature, prior research has paid little attention to encouraging the favorable responses of nonprioritized customers. To address this question, I suggest that nonprioritized customers can react positively as they experience the self-enhancement motivation derived from envy toward preferentially treated customers while positive responses are further encouraged with rule knowledge regarding the preferential treatment. As nonprioritized customers can respond to others' preferential treatment based on fairness perceptions (e.g., Steinhoff & Palmatier, 2014), some scholars may argue that equity theory can provide alternative explanations. For this reason, I provide a

detailed explanation below of how social comparison is considered better than equity theory to explain the focal phenomenon.

The fundamental idea of equity theory is that people tend to compare their input-output ratios to those of others to equitable inequality (Adams, 1963). If others receive greater output with less input, an individual is likely to feel uncomfortable about this under-benefitted situation as well as to feel motivated to take an action to restore equity (Carrell & Dittrich, 1978) or cognitively distort the inputs and outputs to resolve the inequity dissonance (Huseman, Hatfield, & Miles, 1987). While providing preferential treatment to selected customers can create an inequity perception in the minds of other customers, the knowledge of the preferential treatment rules can help balance the input-output comparison. Without rule knowledge, a nonprioritized customer is likely to believe that preferentially treated customers receive a better outcome without putting in more effort. Therefore, the nonprioritized customer is more likely to experience negative emotions and to react negatively, for example, by spreading negative WOM, to restore equity. According to the above rationale, equity theory, indeed, is able to explain the negative responses of nonprioritized customers.

On the other hand, with the information of rule knowledge, a nonprioritized customer is likely to perceive that it is fair for prioritized customers to receive preferential treatment so that the equity state is balanced. In this situation, people can react to two different ways: (1) not motivated to take any action to change the existing situation as equity has been achieved, or (2) considering the existing state as equitable inequality and putting more effort to climb higher in the loyalty program hierarchy to attain the equity. In general, people tend to prefer the former and be satisfied with the state of equity. Meanwhile, people will only choose the latter when they experience cognitive dissonance derived from the equitable

inequality, which is a special case that requires certain circumstances to take place. As nonprioritized customers are less likely to be motivated to take action as the equity state has been achieved, the ability for equity theory to explain the positive responses of nonprioritized customers is very limited.

In sum, while equity theory helps illustrate the unfavorable reactions of nonprioritized customers, it cannot explain well how nonprioritized customers are inspired to improve their current state, given that people are usually less motivated to change their current situation in a state of equity. Meanwhile, given that others' preferential treatment can be considered as a social comparison cue, social comparison theory is able to explain not only the undesirable responses (i.e., hostile tendencies to cope with others' undeserved superiority) but also the desirable responses (i.e., improvement tendencies to obtain the same superiority position). In addition, as the positive and negative responses focused in this research are derived from envy, which is a common emotional response resulting from upward social comparisons, social comparison theory appears to be a better underlying theory than equity theory to examine the proposed research. Before I draw on social comparison theory to discuss the proposed research model, in the next few sections, I will review the two key streams of literature (i.e., customer prioritization and envy) relevant to the research phenomenon.

2.3. Customer Prioritization

As a technique of customer relationship management, customer prioritization allows companies to allocate more resources to better take care of high-spending customers in order to enhance profitability (Bowman & Narayandas, 2004). Preferential treatment refers to "the practice of giving selective customers' elevated social status recognition and/or additional or

enhanced products and services above and beyond standard firm value propositions and customer service practices" (Lacey et al., 2007, p. 242). The fundamental idea is that providing preferential treatment to those customers actively involved in a loyalty program can increase their share of wallet and lifetime duration (Meyer-Waarden, 2007) as well as positive WOM (Henderson et al., 2011). As a result, the practice of customer loyalty programs has spanned a wide array of industries. Given the importance of this phenomenon, prior scholarly research examines various issues on this topic such as the characteristics and structures of rewards (e.g., Henderson et al., 2011), different types of reward benefits perceived by customers (e.g., Mimouni-Chaabane & Volle, 2010), and the influence of prioritization practice on customers (e.g., Steinhoff & Palmatier, 2014). The following subsections will specifically discuss the reward characteristics and influence of rewards on both prioritized customers and nonprioritized customers.

2.3.1. The Rewards Characteristics and Preferential Treatment

A company can treat prioritized consumers preferentially through a variety of means "including reward cards, gifts, tiered service levels, dedicated support contacts, and other methods that positively influence consumers' attitudes and behaviors toward the brand or firm" (Henderson et al., 2011, p.258). There are various ways to characterize the nature of preferential treatment rewards: luxury versus necessity rewards, economic versus social rewards, direct versus indirect rewards, immediate versus delayed rewards, reward distance, the attractiveness of rewards, and the level of preferential treatment. A summary is presented in Table 2-1.

Table 2-1. Summary of the Influence of Reward Characteristics

Reward Characteristics	Key Findings	Representative Paper (s)
Luxury vs. Necessity Rewards	• Luxury rewards: more effective when a loyalty program requires a high level of effort to achieve prioritized status. • Necessity rewards: more effective when the requirements of a loyalty program are low.	Kivetz & Simonson (2002)
Economic vs. Social Rewards	• Economic rewards: facilitating consumers' continuance commitment toward a company. • Social rewards: increasing consumers' affective commitment.	Melancon, Noble, & Noble (2011)
Direct vs. Indirect Rewards	• Direct rewards: increasing the perceived value of the loyalty program when consumers' involvement is high. • There is no difference between direct and indirect rewards when consumers' involvement is low. • Indirect rewards: more effective when the purchase is for a hedonic purpose.	Yi & Jeon (2003) Choi & Kim (2013)
Immediate vs. Delayed Rewards	• Immediate rewards: enhancing the perceived value of the loyalty program when consumers' involvement is low. • There is no difference between immediate and delayed rewards when consumers' involvement is high. • Delayed rewards: more effective when the purchase is for a utilitarian purpose.	Yi & Jeon (2003) Choi & Kim (2013)
Reward Distance	• Consumers near the reward: more likely to be loyal and recommend the program when step-size ambiguity and program magnitude are both high and when those two factors are both low.	Bagchi & Li (2011)
Attractiveness of Rewards	• Overall attractiveness of a loyalty-reward program: increasing the share of wallet.	Wirtz et al. (2007)
Level of Preferential Treatment	• Overall level of preferential treatment: encouraging favorable relational outcomes of prioritized customers.	Lacey et al. (2007).

First, luxury rewards (e.g., a free trip) are generally more effective if a loyalty program requires a high level of effort to achieve prioritized status (Kivetz & Simonson, 2002). Necessity rewards (e.g., exclusive deals), on the other hand, are more effective when the requirements of a loyalty program are low (Kivetz & Simonson, 2002). In addition, economic rewards (e.g., financial incentives such as discounts) were found to facilitate consumers' continuance commitment toward a company while social rewards (e.g., enjoying friendships

with service employees) were found to increase their affective commitment, which is more essential to produce relational worth to a company (Melancon, Noble, & Noble, 2011).

Moreover, direct rewards (i.e., incentives that are associated with a given product's value proposition) are more likely than indirect rewards (i.e., rewards that are not related to a given product) to increase the perceived value of the loyalty program, which directly leads to brand loyalty when consumers' involvement is high (Yi & Jeon, 2003). When consumers' involvement is low, immediate rewards (i.e., incentives provided for every visit) are more likely than delayed rewards (i.e., incentives given for every *n*th purchase) to enhance the perceived value of the loyalty program, which indirectly increases brand loyalty through program loyalty (Yi & Jeon, 2003).

Furthermore, delayed rewards are more effective when the purchase is for a utilitarian purpose because, in this type of purchase, customers tend to focus on the utility function of the product and consider the chance of revisit is high such that the redemption cost is discounted (Choi & Kim, 2013). Meanwhile, indirect rewards are more effective with hedonic purchases because these purchases characterize fun and excitement elements and better fit with the nature of indirect rewards (Choi & Kim, 2013). In terms of the reward distance (i.e., points needed to earn a reward), consumers near the reward are more likely to be loyal and recommend the program when step-size ambiguity (i.e., ambiguous information regarding the number of points earned for each dollar spent) and program magnitude (i.e., the size of the points required to receive a reward; 100 versus 1,000 points needed) are both high or when those two factors are both low (Bagchi & Li, 2011).

Regardless of the specific characteristics of rewards, when it comes to the loyalty reward as a whole, the overall attractiveness of a loyalty-reward program was found to be essential

in determining the share of wallet (Wirtz et al., 2007), while the overall level of preferential treatment was found to encourage favorable relational outcomes (Lacey et al., 2007). Given the variety of preferential treatment rewards, it is important to understand how different consumers respond to reward incentives. As customer prioritization involves the practice of categorizing customers into prioritized status and nonprioritized status, the next two sections will discuss the responses of prioritized customers and nonprioritized customers, respectively.

2.3.2. Prioritized Customers' Reactions to Preferential Treatment Rewards

This section will first focus on the perspectives of prioritized customers. Although preferential treatment can possibly lead prioritized customers to feel that they are entitled to demand extra services and/or products and can therefore generate costs for companies (Wetzel, Hammerschmidt, & Zablah, 2014), the increase in the average profitability of those customers tends to outweigh the additional costs associated with the practice (Homburg et al., 2008). In addition to the increase in profitability, rewards help preferentially treated customers to develop favorable attitudes toward a company (Steinhoff & Palmatier, 2014), lead those customers to discount negative evaluations of a company and repurchase in the future (Bolton, Kannan, & Bramlett, 2000), and encourage the customers to spread positive WOM as well as express feedback (Lacey et al., 2007). To further understand how rewards facilitate prioritized consumers' positive responses, it is important to understand three mechanisms that help delineate the underlying process: status, habit, and relational mechanisms (Henderson et al., 2011).

In terms of the status mechanism, as the status is relative in nature, receiving preferential treatment signals the relative superior position of prioritized consumers and allows them to enjoy the benefit of status enhancement (Steinhoff & Palmatier, 2014). The status enhancement is even greater when additional tiers with a lower status in the hierarchy of a loyalty program are added (Drèze & Nunes, 2009). When it comes to the habit mechanism, preferential treatment rewards can motivate prioritized consumers to form habit-based loyalty when the rewards promote the intention to purchase repeatedly (Wood & Neal, 2009), when the rewards sustain the repetition (Henderson et al., 2011), and when the rewards are provided in a stable context (Verplanken & Wood, 2006).

Regarding the relationship mechanism, according to the social exchange literature, the formation of relationship loyalty is largely based on reciprocal relationships derived from trust that strongly bond a consumer and a company/frontline employee together to produce benefits over extended time frames (Fiske, 1992; Palmitier, Dant, Grewal, & Evans, 2006). In order to build a strong relationship, loyalty programs must have communal qualities (e.g., voluntary helping and sociability; Goodwin, 1996) to generate reciprocation by signaling a company's interest in having communal relationships with customers (Henderson et al., 2011). As customers who receive the benefits of loyalty rewards are likely to feel gratitude and consider the company's action helpful and altruistic, providing loyalty rewards can be viewed as the effort of a company in building communal relationships. In turn, given that it is the prioritized customers who are able to enjoy loyalty rewards, those customers tend to perceive improved relationship quality due to the appreciation shown by a company's relationship investment (Mimouni-Chaabane & Volle, 2010), and to further develop relational-based loyalty (Henderson et al., 2011).

In addition to the explanations of how loyalty rewards produce positive customer outcomes, it is essential to understand how customers perceive the benefits of participating in loyalty programs. The reason is that reward benefits are key drivers of loyal relationships with a company (Bolton et al., 2000) while the investment in loyalty programs can be inefficient when customers perceive little benefit from taking part in those programs (De Wulf et al., 2001). Mimouni-Chaabane and Volle (2010) made the first attempt to identify three general types of benefits perceived by customers: utilitarian benefits, hedonic benefits, and symbolic benefits.

Offering customers instrumental and functional values, utilitarian benefits provide customers a means to an end via the financial benefit of monetary saving (Bolton et al., 2000; Johnson, 1999) and the convenience of reducing time and effort (Mimouni-Chaabane & Volle, 2010). On the other hand, hedonic benefits offer value to customers through emotional, personally gratifying, and noninstrumental experiences (Hirshman & Holbrook, 1982), including the exploration of new products and the enjoyment of accumulating and redeeming points (Mimouni-Chaabane & Volle, 2010). Lastly, as benefits that satisfy customers' need for self-expression, social approval, and self-esteem (Keller, 1993), symbolic benefits provide intangible values to customers by helping them enjoy status recognition (Steinhoff & Palmatier, 2014) and enable customers to view themselves as belonging to the privileged group of elite customers (Muniz & O'Guinn, 2001).

2.3.3. Nonprioritized Customers' Reactions to Preferential Treatment Rewards

In spite of the positive loyalty reactions of prioritized consumers, preferential treatment rewards can damage the relationship with nonprioritized consumers by triggering their

negative responses. In response to others' preferential treatment, a nonprioritized customer may feel underappreciated by the company and even think that customer prioritization is a practice designed to punish nonprioritized customers (Fournier et al., 1998). Given that nonprioritized customers can feel left out and believe the reward practice places them at a disadvantage, one key question emerges: what is the underlying process that contributes to nonprioritized customers' reactions? Generally speaking, the equity and social comparison mechanisms are the two primary perspectives referenced to explain the process. According to these perspectives, nonprioritized customers tend to react negatively when they consider the practice unfair and when the superior position of the comparison other reflects a decrease in their status (Steinhoff & Palmatier, 2014).

First, awareness of others' preferential treatment tends to lead nonprioritized consumers, who also pay for products/services, to feel as if they are being treated unfairly (Mayser & von Wangenheim, 2013). This perception of unfairness is detrimental to customer relationship management (Darke and Dahl, 2003; Feinberg, Krishna, & Zhang, 2002) because it drives consumers to react negatively and causes customers to take revenge against the frontline worker or the company (Samaha, Palmatier, & Dant, 2011). Based on the above rationale, the perceived unfairness not only hinders loyalty building with nonprioritized consumers but also decreases their spending with a company (Steinhoff & Palmatier, 2014).

Second, as the social comparison perspective indicates that humans by nature compare themselves to other individuals in order to understand their positions (Festinger, 1954), the lack of preferential treatment can signal the relatively inferior status of nonprioritized consumers. In line with the proverb that there are two sides to every coin, the status gain of prioritized consumers via preferential treatment also reflects the relative status loss of

nonprioritized consumers (Henderson et al., 2011). While the status gain can lead prioritized customers to experience a sense of superiority, status loss is likely to drive nonprioritized consumers to feel inferior (Drèze & Nunes, 2009) and react to the customer prioritization practice in a negative manner (Steinhoff & Palmatier, 2014)

To summarize the review on the customer prioritization literature, the effect of loyalty reward practices on customers can generally be understood from two perspectives. First, in terms of the prioritized customers' perspective, the strategy of customer prioritization is often considered beneficial in that it increases the status, habit, and relational loyalty of these customers. However, from the perspective of nonprioritized customers, these customers tend to respond in an unfavorable manner because of the unfairness perception toward the differential treatment practice and the perceived decrease in status reflected by the advantage of a comparison other.

Focusing on the nonprioritized customers' perspective, while prior research has delineated the cognitive process with the equity and status mechanisms, this research extends the literature by focusing on the emotional process. Because the influence of social comparisons on a person connects most directly with emotions (Smith, 2000), I plan to draw on the theory of social comparison to explain that the favorable and unfavorable responses of nonprioritized customers result from the emotion of envy toward the preferentially treated others. In accordance with prior research that nonprioritized customers view customer prioritization practices negatively, I propose that nonprioritized customers who are envious toward the preferentially treated customers are likely to have revenge motivation toward the company practicing customer prioritization when the comparison others are perceived as not deserving the preferential treatment.

Because negative WOM can serve as a means of retaliation (Wetzer et al., 2007), I propose that the revenge motivation toward a company is likely to drive nonprioritized consumers to spread negative WOM about the company's prioritization practice. As the focal undesirable outcome in this dissertation, negative WOM refers to the extent to which a nonprioritized customer informally communicates to other prospective customers his/her negative experience resulting from a customer prioritization practicing (Arndt, 1967; Richins, 1983; Wangenheim, 2005).

As negative WOM can have a detrimental impact on a company (Buttle, 1998), it is important to explore how companies can encourage nonprioritized consumers to respond positively rather than negatively to others' preferential treatment. To address this issue, I propose that when preferential treatment received by other customers is justified, the envy toward those customers can lead a nonprioritized customer to view the envied others as superior role models and have the motivation to improve his/her existing position. As others' superiority can signal improvement opportunities for a person to have positive prospect in the future, the envy toward the preferential customer is likely to lead nonprioritized customers to experience self-enhancement motivation and further drive their positive responses. Because envy is a concept essential in this research that results from upward social comparison with superior others (Cohen-Charash & Mueller, 2007), the next section reviews the literature on envy and its relationship with social comparison theory.

2.4. Envy

Envy can be understood as a negative emotion associated with the lack of a superior position possessed by others in a domain related to a person's self-concept (Cohen-Charash

& Mueller, 2007; Parrott & Smith, 1993). Prior research conceptualizes envy in two ways: dispositional envy and episodic envy. Dispositional envy is the perspective of viewing envy as a person's dispositional tendency that is relatively stable (Gold, 1996; Smith et al., 1999) and has been shown to reduce group performance and satisfaction (Duffy, & Shaw, 2000). In addition to representing an individual difference variable, envy can also be a state emotion that is specific to a situation. In particular, a social comparison is the situation that often leads people to experience episodic envy, even if they are not predisposed to feel envious (Cohen-Charash, 2009). As a state emotion, envy tends to be associated with hostile intentions to undermine the envied targets (Cohen-Charash & Mueller, 2007; Tai et al., 2012). Given that preferential treatment can be considered as an episode that triggers state envy, I focus on the temporary envy specific to an upward comparison.

While the tenet of social comparison theory suggests that individuals compare with others for the purpose of self-enhancement and self-evaluation (Festinger, 1954), social comparisons can occur in two forms (Smith, 2000): (1) a downward comparison to compare with inferior others, and (2) an upward comparison to compare with superior others. When it comes to the relatively inferior status resulting from upward comparison with superior others, the common reaction for most people is to experience the unpleasant emotion of envy (Parrott & Smith, 1993; Smith & Kim, 2007). Envy, often characterized by hostility, can lead to a variety of unfavorable outcomes, such as interpersonal counterproductive work behavior (e.g., Cohen-Charash & Mueller, 2007), criminal behavior (e.g., Beck, 1999), and unethical behavior (e.g., Gino & Pierce, 2009). Meanwhile, envy has also received much attention from religious teaching (Smith & Kim, 2007), such as appearing as part of the Ten Commandments and the Seven Deadly Sins in Biblical teaching. In sum, envy has

traditionally been viewed as a resentful emotion that should be frowned upon (Schoeck, 1969).

In the context that envy is perceived as undesirable, people are often motivated to engage in emotional regulation to reduce their envious feelings or to transform envy into positive emotions (e.g., happiness at the success of others) (Tan, Tai, & Wang, 2015). In addition to the transformation into positive emotions, when an envied superior other suffers a downfall, the feelings of envy can also be transformed into *schadenfreude*, which refers to the pleasure associated with the misfortune of an envied target (Sundie et al., 2009). In other words, depending on the desirability of envy in a social context and the performance of an envied target, people can experience an envious episode differently. In a situation where envy is perceived as acceptable, an envious episode is likely to trigger the expressions of envy.

There are primarily two different expressions of envy (Tan et al., 2015; Van de Ven et al., 2009): (1) malicious envy, which is the traditional form of envy studied by scholars and refers to the hostile frustration resulting from one's inferior position that leads one to pull-down the compared target; and (2) benign envy, which is a positive perspective on envy relatively new to academia and refers to the motivational frustration resulting from one's inferior position that encourages one to aspire to become like the compared target. In spite of the negative connotation, envy is also one of the most universal passions that motivates individuals to improve themselves. Although scholars have mentioned that envy has at least two different meanings (e.g., Foster, 1972; Neu, 1980; Rawls, 1971; Silver & Sabini, 1978), it is not until recently that researchers started to conceptually and empirically distinguish benign envy from malicious envy (Van de Ven et al., 2009).

One core aspect to distinguish these two expressions of envy is the hostility element, such that malicious envy can be considered as a hostile envy and benign envy can be viewed as an inspirational envy (Smith & Kim, 2007). While the former is the traditional understanding of envy and features the destructive characteristics associated with a hostile response to pull down envied others, the latter is constructive in nature and is associated with the pleasant feeling of admiration that inspires a person to learn from the envied others (Van de Ven et al., 2009). Although these two expressions of envy both depict frustration, only benign envy can serve as a motivation to improve the current position and to bring positive outcomes (Van de Ven, Zeelenberg, & Pieters, 2012). In line with this logic, the primary difference between malicious and benign envy is the motivation and behavioral expression derived from the emotion of envy (Tan et al., 2015). Therefore, it is more appropriate to view malicious envy and benign envy as different outcomes of envy rather than two different types of envy. Hence, in this research, I define envy in a way consistent with the traditions of envy research (i.e., the pain associated with the lack of others' superior position) and build upon the new research stream on benign envy by exploring not only the negative consequences but also the positive consequences of envy.

As a complex social emotion, envy can be aligned with two different modes of actions at the same time, including the threat action tendency to undermine the envied target as well as the challenge action tendency to keep up with the envied target (Tai et al., 2012). Given that the positive expression of envy is desirable yet has received very little attention from scholars (Smith & Kim, 2007), it is the primary focus of this research. In general, people tend to react to envy in a positive manner when the compared target is perceived as deserving the superior position (Van de Ven et al., 2011a) and when the comparison target considers the envied

target's superior position as attainable (Van de Ven, Zeelenberg, & Pieters, 2011b). From a marketing perspective, envy has been found to increase a consumer's willingness to pay for a luxury product that the admired individual has (Van de Ven et al., 2011a), as well as to prefer stylish options in order to keep up with other consumers whose style preferences are complimented (Chan & Sengupta, 2013).

In spite of the marketing insights provided by these two studies, there is little information about how companies can encourage consumers' desirable responses via envy. To address this issue, the current research identifies the positive reactions derived from envy toward other customers treated preferentially by a company and explores the role of rule knowledge in facilitating positive reactions. The positive expression of envy is consistent with insight from social comparison literature that upward comparison can drive individuals to work toward better achievements (Johnson & Stapel, 2007; Romero-Canyas, Downey, Reddy, Rodriguez, Cavanaugh, & Pelayo, 2010). Drawing upon social comparison theory, the next chapter will discuss a proposed model designed to connect the two literature streams of customer prioritization and envy together.

2.5. Summary

This chapter provides a detailed review of social comparison theory and two distinct but related streams of literature, including customer prioritization and envy. The review on prioritization practice explains different characteristics of loyalty rewards as well as customers' responses to the loyalty reward practice. While prioritized customers tend to respond positively to prioritization practices, nonprioritized customers are found to react to the practice in a negative fashion. In line with this logic, nonprioritized customers are likely

to engage in negative WOM as a result of observing the preferential treatment received by other customers. On the other hand, given that nonprioritized customers are prospects of loyalty reward programs, it is critical to understand how and when nonprioritized customers are motivated to respond to the practice in a favorable manner. Specifically, self-enhancement motivation derived from envy toward preferentially treated customers is proposed to be the key motivator to encourage desirable responses. The review on envy literature provides a further explanation of how envy can produce not only negative but also positive responses.

Focusing on the nonprioritized customers' perspective, this dissertation uses social comparison theory to draw a connection among the two literature streams and to examine the phenomenon. Given that people tend to compare themselves to similar others (Festinger, 1954), a customer is likely to compare himself/herself with other customers. As a nonprioritized customer witnesses preferential treatment provided to other customers, he/she is likely to upwardly compare his/her treatment to others' treatment and feel envious. As upward comparisons can be both destructive (i.e., pulling the superior other down) and inspirational (i.e., keeping up with the superior other), a nonprioritized customer who experiences envy toward preferentially treated customers can react positively with self-enhancement motivation to participate in a reward program and negatively with revenge motivation to spread negative WOM. Drawing upon social comparison theory, the next chapter will discuss a proposed model that connects the two streams of literature (i.e., customer prioritization and envy) together.

CHAPTER III

CONCEPTUAL MODEL AND HYPOTHESES DEVELOPMENT

3.1. Introduction

In Chapter III, I propose a conceptual model and draw connections among the three streams of literature reviewed previously. This chapter consists of four sections. In the first section, a discussion regarding the research context and an overview of the proposed model is provided. In the second section, I conduct qualitative interviews with nonprioritized customers and discuss the findings to further demonstrate the importance of the research phenomenon. The third section examines the relationships among variables in the conceptual model. Within different subsections a detailed explanation of research hypotheses that delineates the proposed research model is provided. Lastly, the chapter ends with the summary section.

3.2. Research Context and Overview

As the practice of customer prioritization has become popular lately, more and more companies are trying to capitalize on the trend by implementing a prioritization strategy

(Wagner et al., 2009). However, many programs fail to achieve the expected performance (Nunes & Dréze, 2006). As nonprioritized customers tend to react negatively to prioritization practices rather than becoming more loyal to the company (Haenlein & Kaplan, 2010), the unfavorable reactions of these customers can be one way to explain the failure of reward programs. Encouraging the positive responses of nonprioritized customers is desirable because existing nonprioritized customers can be key prospect members of loyalty reward programs (Thompson et al., 2015), and the value saving of avoiding unhappy customers is important to companies. (Buttle, 1998).

Building on this perspective, the emphasis of this research is to propose a conceptual model that explains how and when companies can encourage nonprioritized customers' favorable responses and discourage their unfavorable responses. The nonprioritized customers focused on here are those who are not currently enrolled in a company's loyalty reward program, rather than those who are bottom-tiered members. The research model is examined in the context that nonprioritized customers notice the preferential treatment provided to selective customers. The research holds that others' preferential treatment is readily noticeable by nonprioritized customers because customer prioritization has become a widely accepted practice such that an increasing number of companies have begun to publicly recognize their prioritized consumers. For example, airlines broadcast the status of elite members by utilizing gold luggage tags as well as providing separate access to airplanes (Melnyk & van Osselaer, 2012), while hotels publicly reward premium customers by offering a separate counter for speedy check-in (Steinhoff & Palmatier, 2014).

In the case that a nonprioritized customer notices other's preferential treatment, he/she is likely to feel envious of the preferentially treated customers. Given that envy is often

considered as an unpleasant emotion characterized by resentful feeling toward the comparison others' superiority that leads a person to react in a hostile manner (Smith & Kim, 2007), I recognize this traditional view of envy and propose that nonprioritized customer who experience envy toward preferentially treated others can be motivated to revenge for the treatment differences by spreading negative word-of-mouth. On the other hand, because envy toward an upward comparison target can also produce an inspiration feeling (Van de Ven et al., 2009), I further propose that the envy toward preferentially treated customers can drive nonprioritized customers to feel motivated to improve their current positions and to participate in loyalty reward programs to gain the preferential treatment for themselves. Given that encouraging the desirable reaction of nonprioritized customers is the focus in this research and that the inspiration derived from envy is a relatively new concept, the next section further discusses the findings from interviews with nonprioritized customers to explore two questions: 1) Do they experience envy in the situation of seeing others receive preferential treatment? and 2) they experience envy, can this envy bring positive motivations?

3.3. Qualitative Interviews

Because the positive perspective of envy is the key idea in this research, and because it has received little attention in the marketing context, the method of in-depth interviews was adopted to examine whether nonprioritized customers experience the positive motivations derived from the envious feeling toward others' preferential treatment. Furthermore, this method helps us to understand the customer prioritization practice from nonprioritized customers' perspectives, which has largely been overlooked in the literature. The interview

method (i.e., sample and format), data analysis (i.e., coding and categorization procedures) and findings are discussed in separate subsections.

3.3.1. Sample and Interview Format

The target interviewees are customers who have at least some experience with loyalty reward practices. Following prior research using depth interview methodology (e.g., Gwinner, Gremler, & Bitner, 1998), I use an acquaintance network to recruit respondents to participate in the interview. There are a total of eighteen respondents in the final sample, which consisted of nine females and nine males. The respondents have a sufficiently diverse set of experiences with regard to loyalty reward programs (e.g., Plenti rewards program, United Airlines' Mileage Plus, InterContinental Hotels Group's rewards club, and Panera Bread's MyPanera rewards), are from various occupations (e.g., engineer, physician, IT professional, product manager, business consultant, lawyer, and college professor), and represent a wide age range (from 24 to 56).

The eighteen interviews all began with an introduction of the research topic: customer prioritization practices. To start the conversation, the respondents were asked to share their opinions (i.e., problems and benefits regarding the practices) and attitudes (i.e., likes and dislikes) about the practice of loyalty reward programs. After discussing thoughts toward loyalty reward practices, they were asked to think about their experiences participating in such loyalty programs and talk about their most favorite and least favorite programs. In addition to their loyalty program participation experiences, they were then instructed to focus on their experiences as nonprioritized customers. Specifically, I requested the respondents to elaborate their feelings, thoughts, and behavioral reactions when they saw other people

receiving preferential treatment as loyalty rewards. These interviews were 27 minutes in length on average and were conducted via an online meeting software (GoToMeeting).

3.3.2. Data Analysis

The purpose of these interviews was to explore the role of envy and its associated motivations in the context that nonprioritized customers are aware of the preferential treatment provided to other customers. Following the qualitative analysis guidelines of Glesne (2014), I first identified the responses of interviewees when they were nonprioritized customers who saw others being treated preferentially. All the interviews were carefully organized into detailed transcriptions with the key phrases in the transcriptions highlighted. These phrases were chosen for the purpose of identifying recurring reactions of each respondent in the situation of seeing prioritized customers' preferential treatment.

According to the categorization process of qualitative analysis in which units are sorted into different categories based on a similarity of characteristics (Lincoln & Guba, 1985), the key phrases identified were organized into different categories such that each category consisted of closely related responses of nonprioritized customers. These different categories can be classified into the themes of emotions/feelings, thoughts, and behavior. However, as the main purpose of this qualitative study is to examine whether nonprioritized customers feel benignly envious toward preferentially treated customers, the discussion of findings will focus only on types of emotional responses (i.e., envy, neutral, discomfort, and inferiority responses). A sample of comments from the qualitative interviews is shown in Table 3-1.

Table 3-1. Sample of Comments Supporting Emotional Response Types

Table 1. Sample of Comments Supporting Emotional Response Types	
Category (Counts)	**Illustrative Respondent Comments**
Envy (22)	I wish I had enough points to go to those lounges. Yeah… I feel a little bit jealous. I know they have that because they spent a lot of money and time with that airlines or whatever. But it's still like 'ah'. *(Female, 57, Instructor)* On the one hand, obviously I am a little bit jealous. On the other hand, I totally have capitalized prior special deals so I can't say much. They managed to find a way to capitalize on this and score a good deal. I need to search it out myself as well." *(Male,* 31*, Physician)* Some people participate in the airline loyalty reward programs. When they buy tickets, they get to use their mileages to get free tickets or access to VIP rooms. I certainly feel a bit envious toward them because I wish I could be part of the program. *(Female, 25, Business Consultant)* If I just started the program, of course, I don't get any bonus. But I would still feel a bit jealous. If I am not in the program and see someone having priority benefits, I would feel even more jealous. *(Male, 29, Product Manager)*
Neutral (15)	When I see anyone get upgraded, I think it's cool but I don't think that's necessary for me. I am happy having what I have. So … I don't really feel anything. *(Female, 25, Graphic Designer)* It usually doesn't bother me because I don't really view it as preferential treatment. I have as much ability to join the program as they do, I just haven't. So it's my decision and their decision that joining the programs is the best for them. So they should be rewarded for it. I decided not joining was best for me, so I don't really care. *(Male, 29, College Professor)* If I am not participating in the program, it's fair that I don't get rewarded. If my friend is a frequent flyer and he has some reward programs with some airlines, I think he should be rewarded. I mean that's what he deserved. Me on the other hand, if I don't participate, then I don't see why I should be treated preferentially. I don't have any special feeling toward it. Nothing strong or noticeable. *(Male, 34, IT Professional)* Well… I will assume they are more loyal so that's why they got preferential treatment. I think this is the way that companies differentiate their customers so I don't feel offended or unhappy about it. I understand they spend more with the company so they get preferential treatment. *(Female, 40, Homemaker)*

Table 1. Continued	
Category (Counts)	**Illustrative Respondent Comments**
Discomfort (15)	You have to realize that people will come and go. They change their geolocations. It didn't seem so much a reward program as I was excluded and punished for not living there long enough . *(Male,* 31, *Content Support Representative)* … there are people who get better upgrades. That's something I don't really enjoy. I feel a bit pissed. *(Male, 26, Engineer)* It can be uncomfortable for someone that other people get preferential treatment. Especially the way they go about it, when you are in the airport and they got you categorized by numbers, number 4 can see everyone. It's kind of uncomfortable in public. (*Female, 53, Retired*) This can be kind of annoying. For example, going through a flight, you will see, not to say if you buy business class and are paying higher, that loyalty programs allow certain customers access to perks. So I guess it can be annoying. *(Male,* 31, *Physician)*
Inferiority (9)	I feel like I am a second class to hotels. I feel that my stays were not very significant to them. They don't really appreciate me a whole lot. Don't get me wrong. The customer services were still decent. But comparing myself to the elites … you know, it is a little different. *(Male, 26, Engineer)* You do feel a little bit like a second class citizen. While you don't pay as much as them, you still pay to be there and you are still enjoying the service. So the quality should be similar because you still have a seat on the plane. I think I did feel a bit left out. *(Female, 26, Non-profit management specialist)* Whenever I am in an airport and I see people going to those nice lounges for the airlines, I feel like a second class passenger. *(Female, 57, Instructor)* I am sure they did something, participating in loyal programs or paying extra. Something one way or the other to deserve to be treated as first class citizen. I guess it's just a bit obvious in the airports. Um…they go in first, and get to choose the seats. For the rest of us who pay for the flights, we only get second dips. So it's a little obvious in the airport situation. Almost feel like a second class citizen so to speak *(Male,* 31, *Physician)*

3.3.3. Findings

The emotional responses are about interviewees' feelings when they notice other customers receiving preferential treatment as their loyalty rewards. Through analysis of the data, I identified a total of four emotional responses: envy, neutral, discomfort, and

inferiority responses. Based on word counts in the emotional response categories, the most common feelings are envy (22 counts), followed by neutral (15 counts), discomfort (15 counts), and inferiority (9 counts) responses. The summary of the emotional response coding is shown in Appendix C. In the following paragraphs, I will briefly discuss each type of emotional response.

In terms of the envy category, ten subjects reported that they feel jealous or envious or wish to be in the prioritized customers' positions in order to receive preferential treatment themselves. One woman recalled an experience seeing other customers receiving access to a VIP lounge during the layover of her international flight and described it as follows: "I wish I had enough points to go to those lounges. Yeah… I feel a little bit jealous. I know they have that because they spent a lot of money and time with that airlines or whatever. But it's still like 'ah'." Some respondents further described the behavioral intention to improve their own positions along with the envious reaction: "On the one hand, obviously I am a little bit jealous. On the other hand, I totally have capitalized on prior special deals so I can't say much. They managed to find a way to capitalize on this and score a good deal. I need to search it out myself as well." This motivation to improve one's current situation resulting from envy toward other people in superior positions is consistent with the discussion regarding the positive perspective of envy suggested by envy researchers (Van de Ven et al., 2009; 2011a).

To further evaluate the responses associated with envy, I identified different cognitive and behavioral responses of those ten participants who felt envious. They were found to respond in the following ways: trying to figure out whether others deserve the preferential treatment (11word counts), being curious about the ways to earn preferential treatment (6

word counts), evaluating whether the program is worthwhile to participate in (5 word counts), or thinking in a neutral way to tell themselves that it is not a big deal (1 word count). In addition, they were found to have the following behavioral responses: searching information regarding reward programs (15 word counts), attempting to participate in the programs (9 word counts), not taking any actions (3 word counts), retaliating against the company providing preferential treatment to others (1 word count), and intending to switch to other companies (1 word count). According to these results, in the case of seeing prioritized customers receive preferential treatment as their loyalty rewards, subjects who feel envious tend to be motivated to improve their positions, such as by making an attempt to figure out how to earn preferential treatment for themselves. The finding is consistent with the argument proposed in this research that envy can potentially bring positive responses.

The neutral emotional category is the response of those interviewees who did not feel anything special when seeing others' preferential treatment. Ten subjects indicated that they did not have any special feeling when witnessing preferential treatment. One respondent thought about her feelings in general and said, "When I see anyone get upgraded, I think it's cool but I don't think that's necessary for me. I am happy having what I have. So … I don't really feel anything." Many of these respondents commented that they do not have particular feelings in the situation because they don't really care about rewards (i.e., "If I spend money on something, it's probably because I need it. I don't expect to get rewards for spending money") and/or because they attribute the cause to their own decision of not participating in loyalty reward programs (i.e., "I decided not joining was best for me, so I don't really care").

When it comes to the discomfort associated with customer prioritization practices, a variety of terms were used by respondents to indicate their uncomfortable feelings. Those

terms included upset, frustrated, unenjoyable, offended, irritating, annoying, and angry. A total of six subjects indicated that they experienced at least one type of uncomfortable feeling when seeing others receive preferential treatment. One man illustrates his uncomfortable feeling with one incident: "For example, going through a flight, you will see, not to say if you buy business class and are paying higher, that loyalty programs allow certain customers access to perks. So I guess it can be annoying." One respondent even felt like he was being excluded and punished by the practicing company: "You have to realize that people will come and go. They change their geolocations. It didn't seem so much a reward program as I was excluded and punished for not living there long enough." The unfavorable feeling derived from prioritization practices is in line with the insight from customer prioritization literature (e.g., Haenlein & Kaplan, 2010; Steinhoff & Palmatier, 2014) that nonprioritized customers tend to response negatively to the practice.

The last category of emotional response is the feeling of inferiority. That is, six respondents commented that seeing preferential treatment provided to prioritized customers made them feel like second-class citizens and less valuable customers. In addition, some of them even felt that their spending was unappreciated by companies. One man describes this feeling in terms of his hotel-stay experiences: "I feel like I am a second class to hotels. I feel that my stays were not very significant to them. They don't really appreciate me a whole lot. Don't get me wrong. The customer services were still decent. But comparing myself to the elites … you know, it is a little different." Such inferior and unappreciated feelings derived from customer prioritization have been mentioned in the literature on customer prioritization (e.g., Drèze & Nunes, 2009; Fournier et al., 1998).

3.3.4. Summary

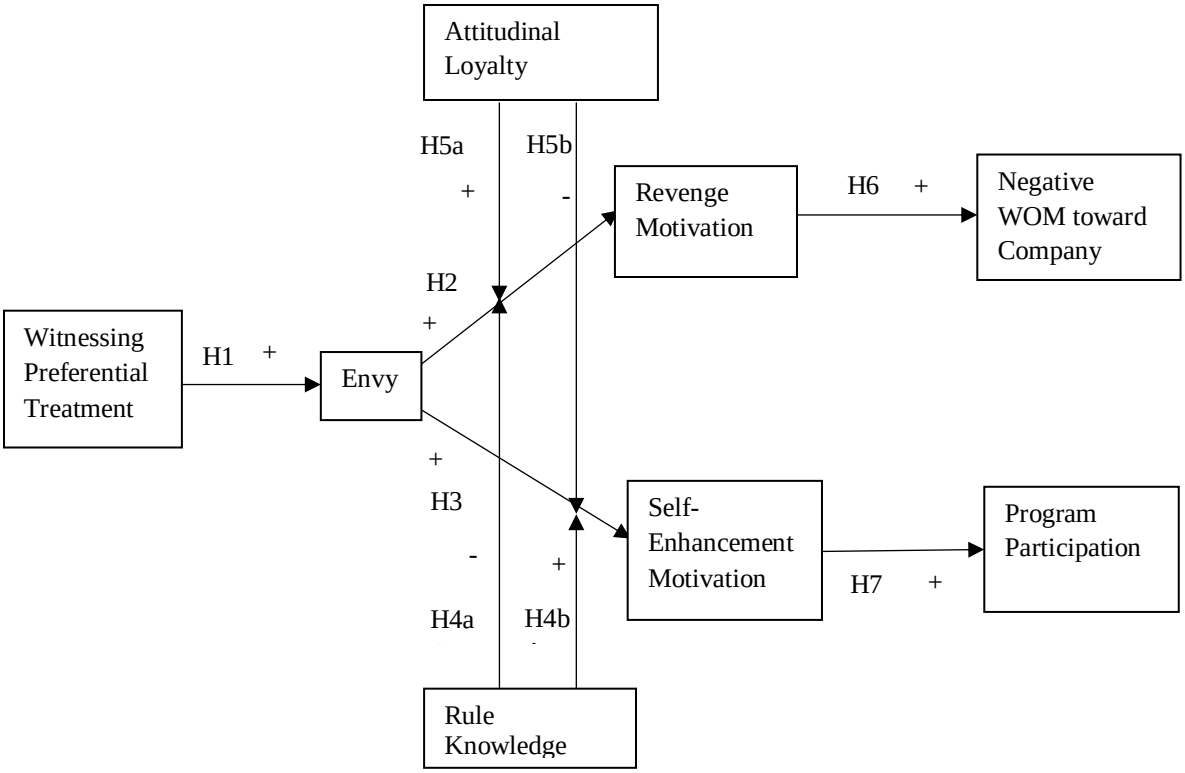
According to the findings from 18 qualitative interviews, four categories of nonprioritized customers' emotional responses emerge: envy, neutral, discomfort, and inferiority responses. Prior research (e.g., Fournier et al., 1998; Haenlein & Kaplan, 2010) on customer prioritization has found that nonprioritized customers tend to feel uncomfortable and inferior when they are aware of other customers' preferential treatment. However, the neutral and envy types of emotional responses, which are the types with many word-counts, have been overlooked.

Given that the focus of this dissertation is envy, I aim to address part of this issue. While these findings support the idea that nonprioritized customers can respond to others' preferential treatment with envy as well as the positive reactions associated with envy, in addition to explaining this mechanism, it is also important to understand the boundary conditions that encourage the positive responses derived from envy. As the essence of customer prioritization practices is building loyal relationships with customers via rewards, customers' attitudinal loyalty as well as the knowledge of reward rules are identified as the key moderators. The next section provides specific explanations about the proposed main effects and the moderating effects.

3.4. Research Hypotheses

This section is divided into different subsections to specifically delineate the relationships proposed in the conceptual model (see Figure 3-1). Drawing on social comparison theory, I explain the underlying rationale behind those relationships. Each subsection explains a portion of the relationships within the model and concludes with a testable hypothesis.

Figure 3-1. Conceptual Model



3.4.1. The Effect of Preferential Treatment on Envy

Along with the increasing attention on relationship marketing, a growing number of companies have started to adopt the strategy of providing preferential treatment to prioritized customers (Zabin & Brebach, 2004). In this context, preferential treatment refers to "the practice of giving selective customers' elevated social status recognition and/or additional or enhanced products and services above and beyond standard firm value propositions and customer service practices" (Lacey et al. 2007, p. 242).

As a controversial topic, preferential treatment has been criticized as "new consumer apartheid" that categorizes customers into different tiers and limits service access to certain customers (Business Week, 2000). Specifically, the problem of practicing preferential treatment arises when some revenue-generating customers see other customers receive

preferential treatment and feel underappreciated and put at disadvantage by the company (Fournier et al., 1998). To further understand how customers respond to witnessing preferential treatment, I draw on social comparison theory and propose that customers are prompted to compare their service treatment to the treatment of other customers and experience envy toward the preferentially treated customers.

Because social comparison theory suggests that people are motivated to understand their situations by comparing themselves to other people (Festinger, 1954; Suls & Wheeler, 2000), when customers see other customers receiving preferential treatment, they are likely to engage in upward comparison against those customers. Because upward social comparisons reflect the advantage of the superior other as well as the disadvantage of a focal person, it is natural for the focal person to feel the emotion of envy in response to the discrepancy (Tesser, 1991; Sundie et al., 2009).

Envy is defined as an unpleasant feeling associated with the lack of a comparison other's superior position (Cohen-Charash & Mueller, 2007). The social comparison information that signals a focal person's relatively inferior standing is generally considered as the most important factor contributing to the emergence of envy emotion (Smith 2000). In line with this logic, noticing the preferential treatment received by other customers can be considered as upward social comparison information that leads nonprioritized customers to feel envious toward those preferentially treated customers. Therefore, I expect the following.

H1: Witnessing preferential treatment provided to other customers exerts a positive effect on a nonprioritized consumer's feeling of envy toward preferentially treated customers.

3.4.2. The Effect of Envy on Revenge Motivation

As envy has traditionally been viewed as an undesirable emotion associated with negative reactions, such as hostility (Smith, 2000) and social undermining intentions (Duffy et al., 2012), I recognize this stream of literature by suggesting that nonprioritized customers' envy derived from witnessing a preferential treatment encounter can encourage their motivation to revenge. Specifically, I define the revenge motivation as the extent to which nonprioritized customers desire to cause harm to a company (Gregoire et al, 2009). The target of the revenge motivation is the company practicing preferential treatment. The rationale is that nonprioritized customers are likely to consider their relatively inferior positions as a result of a company's practice to treat other customers preferentially, given that the social comparison in this research involves a third party (i.e., the company) that contributes to the treatment differences.

As the building blocks of the emotion of envy, upward social comparisons lead a person to feel envy by drawing his/her attention to the lack of others' superiority and tend to bring the unpleasant and painful feelings associated with the person's relative inferiority (Parrot & Smith, 1993; Tai et al., 2012). Because people can cope with the pain of envy with hostility and resentment toward envied targets (Smith & Kim, 2007), envy is traditionally viewed as associated with malicious behavioral expressions to pull down and harm the envied others (Tan et al., 2015). For instance, envy has been found to discourage a person from sharing information with envied targets (Dunn & Schweitzer, 2004), to drive a person to harm those envied targets (Cohen-Charash & Mueller, 2007), and to facilitate unethical behaviors of acting in a dishonest manner to pull down the targets (Gino & Pierce, 2009). With the view

of envy as a trigger of negative intentions, I argue that a revenge motivation can be a result of an envy episode.

Revenge motivation has been primarily examined in the service failure literature which finds that it occurs when customers want to cause harm to a company in return for improper services provided by the company (Bechwati & Morrin, 2003). In particular, customers are even more likely to have a revenge motivation if they perceive a company as greedy and believe that the company is trying to take advantage of them (Gregoire et al, 2009). In the situation of seeing a company that provides preferential treatment to selective customers, nonprioritized customers who feel envious can view the company as limiting their access to certain services that they ought to receive and, as a result, they may develop a revenge motivation. This perspective is consistent with the social comparison literature; the envy derived from a discrepancy with an upward comparison target can drive individuals to act in a malicious manner in order to reduce the pain associated with the target's relative superiority (Tai et al., 2012; Smith & Kim, 2007). In a similar vein, nonprioritized customers' envy toward the preferentially treated customers is likely to increase their revenge motivation. According to the above logic, I propose the following.

H2: The envy toward preferentially treated customers exerts a positive effect on a nonprioritized consumer's revenge motivation toward the company.

3.4.3. The Effect of Envy on Self-Enhancement Motivation

In addition to triggering negative responses, envy has recently been found to be associated with admiration and inspiration and leads to positive responses such as the desire

to learn from a superior other (Cohen-Charash, 2009; Van de Ven et al., 2009). In line with this logic, I propose that envy toward preferentially treated customers can generate a self-enhancement motivation for nonprioritized customers. As a positive motivation to produce desirable outcomes (Yun, Takeuchi & Liu, 2007), self-enhancement motivation refers to the desire to seek experiences that can help improve a person's existing position to get what others have (Cohen-Charash, 2009).

As recent research has unveiled an alternative view of envy that is associated with the inspiration derived from the relatively superior position of envied targets, this alternative view of envy takes the position that envy can be characterized by admiration rather than resentment (Van de Ven et al., 2009). Without the hostility element, envy is likely to bring the positive behavioral expressions that reflect the motivation of an envious person to improve his/her existing position to keep up with envied targets (Tan et al., 2015). For example, envy was found to increase customers' willingness to pay a premium for a desirable product that elicits envy (Van de Ven et al., 2011a), to motivate employees to improve their job performance (Schaubroeck & Lam, 2004), as well as to motivate people to respect and learn from envied targets (Cohen-Charash, 2009). According to this motivational perspective to view envy as a driver to improve the position of an envious person, I suggest that self-enhancement motivation can be a positive response derived from an envy episode.

The link of envy to self-enhancement motivation is consistent with social comparison literature. Given that human beings naturally have the tendency to maintain self-concepts (Tesser, 1988), a person can choose to cope with the threatened self-concepts resulting from discrepancies with superior others by working harder to improve his/her own position to obtain the same advantage (Festinger, 1954). Specifically, the desire to improve one's current

position characterizes the moving-up motivation derived from an envy episode and leads a person to view the envied target as an inspirational role model to learn from (Van de Ven et al., 2011b). In fact, as the level of envy increases, people work harder to enhance their job performance (Schaubroeck & Lam, 2004) as well as to improve their relationships with the envied targets (Vecchio, 1995). Similarly, in the case that nonprioritized customers feel envious toward the preferentially treated others, they can consider others' preferential treatment as a positive prospect for their own futures and feel motivated to put efforts into earning the preferential treatment received by others. Therefore, I propose the following.

H3: The envy toward preferentially treated customers exerts a positive effect on a non-prioritized consumer's self-enhancement motivation.

3.4.4. The Moderating Role of Rule Knowledge

While the above discussion hypothesizes direct effects of envy on revenge motivation and self-enhancement motivation, these effects are likely to be moderated by the knowledge of preferential treatment rules. The construct of rule knowledge is defined in this dissertation as the extent to which a customer understands the loyalty reward rules associated with the preferential treatment provided to selective consumers. This definition does not limit rule knowledge to whether customers understand the preferential treatment rules. That is to say, customers can have various degrees of rule knowledge, such as a low degree of rule knowledge with the understanding of others' preferential treatment as loyalty rewards and a high degree of rule knowledge with the knowledge of what it takes for other customers to earn the preferential treatment. In a customer prioritization setting, the knowledge of reward

rules can mitigate the negative reactions of nonprioritized customers because a clear set of reward rules helps justify the fairness of preferential treatment (Steinhoff & Palmatier, 2014). In addition to mitigating the negative responses of nonprioritized customers, there is a possibility that rule knowledge can further facilitate their positive responses.

Social comparison theory suggests that a person is likely to be motivated to cope with the threatened self-concepts resulting from the discrepancy with an upward comparison other by either pulling the superior other down or working harder to improve his/her own position to obtain the same superiority (Festinger, 1954). Using this theory, people are less likely to choose the former route and more likely to choose the latter when the superior other is perceived as deserving the superiority (Smith, 2000). Given that loyalty is a relevant criterion that can aid the evaluation of deservingness (Ashworth & McShane, 2012), I argue that the knowledge of reward rules can help justify the preferential treatment provided to prioritized customers and thereby strengthen the effect of envy on self-enhancement motivations and weaken the effect of envy on revenge motivation.

Regarding the response of revenge motivation, without rule knowledge, nonprioritized consumers are likely to consider that a company wrongly contributes to their relatively inferior position by providing unauthorized special treatment to other customers. Specifically, in this situation, witnessing preferential treatment might be considered as a type of "service sweethearting," a common phenomenon in hospitality industries that occurs when service providers offer unauthorized free/discounted services or goods to consumers (Brady, Voorhees, & Brusco, 2012). General speaking, consumers tend to feel uncomfortable and react negatively toward others' unauthorized preferential treatment provided by service providers (Butori & De Bruyn, 2013).

Given that the justification of preferential treatment is essential to influence customers' reactions, rule knowledge can imply others' preferential treatment as authorized and further suppress the unfavorable responses of nonprioritized customers (Steinhoff & Palmatier, 2014). Consistent with social comparison literature, because the deservingness of the comparison target's superiority sends a signal that the superiority is respectful, it becomes inappropriate for the person to respond to the envy toward the superior other in a hostile manner (Smith, 2000). According to the above rationale, the effect of envy toward preferentially treated customers on revenge motivation will be weaker when the preferential treatment rules are clear to a nonprioritized customer.

Further, I expect that the influence of envy on self-enhancement motivation is stronger at higher levels of rule knowledge. In response to the envy toward an upward comparison other, a person is more likely to admire and feel inspired to learn from and keep up with the envied other when this envied other is perceived as deserving the superior status (Van de Ven et al., 2011b). Because loyalty is a relevant factor that can help justify the deservingness (Ashworth & McShane, 2012), a set of clear rules regarding loyalty rewards can communicate the message to nonprioritized customers that certain customers deserve to be treated preferentially given their behavioral loyalty input in a reward program. In the situation of feeling envious toward the preferentially treated customers, nonprioritized customers are proposed to be even more likely to have the self-enhancement motivation with the presence of rule knowledge. According to the above arguments, I propose the following.

H4: (a) The positive effect of envy on revenge motivation is weakened when the level of rule knowledge increases, and (b) the positive effect of envy on self-enhancement motivation is

strengthened when the level of rule knowledge increases.

3.4.5. The Moderating Role of Attitudinal Loyalty

Given that loyalty is the center of customer prioritization practices and that the attitudinal component of loyalty facilitates not only positive word-of-mouth (Reicheld, 2003) but also repeat purchases (Liddy 2000), it is important to understand the moderating effect of attitudinal loyalty. In this dissertation, I adapt the definition from Wirtz et al. (2007) and define attitudinal loyalty as the extent to which a nonprioritized consumer has a psychological attachment toward the company that practices customer prioritization.

Loyalty can be characterized by a behavioral aspect (i.e., the level of consumers' spending) and an attitudinal aspect (i.e., the extent of consumers' psychological attachment) (Wirtz et al., 2007). While behavioral loyalty is concerned with a customer's spending with a company, a consumer can develop attitudinal loyalty toward a brand (Yi & Jeon, 2003), a reward program (Dowling & Uncles, 1997; Yi & Jeon, 2003), and/or frontline employees (Beatty et al. 1996; Reynolds & Beatty, 1999). Although nonprioritized consumers may not spend enough money to demonstrate sufficient behavioral loyalty to be considered by a company as valuable, this does not necessarily mean that they have no attitudinal loyalty. For example, a customer can view himself/herself loyal to a rental company but does not travel frequently enough to be considered valuable (Fournier et al., 1998).

While prior research on loyalty programs (e.g., Steinhoff & Palmatier, 2014; Evanschitzky et al., 2012) suggests that prioritized consumers enjoy the benefits of preferential treatment and often develop attitudinal loyalty, researchers have paid little attention to how attitudinal loyalty influences the responses of nonprioritized consumers.

Attitude is a key factor influencing human behaviors (Allen, Machleit, & Kleine, 1992); I argue that attitudinal loyalty can interact with envy toward preferentially treated customers to influence revenge and self-enhancement motivation.

Given that attitudinal loyalty signals the importance and relevance of the treatment comparison, nonprioritized customers are more likely to respond to envy toward preferentially treated customers when they are attitudinal loyal. The argument is based on the social comparison theory that people tend to feel a stronger desire to respond to the discrepancy with a comparison other as the importance and relevance of a comparison matter increases (Festinger, 1954). More specifically, I propose that the positive influence of envy on revenge motivation is amplified and the influence on self-enhancement motivation is weakened when a nonprioritized customer has a higher level of attitudinal loyalty.

Although attitudinal loyalty is based on the relational bonds between a customer and a company that often facilitates desirable customer outcomes, such as positive WOM (Reichheld, 2003) and an increase in the profitability of a customer (Reinartz & Kumar, 2000), the love-hate relationships literature suggests that strong-relationship customers are more likely to feel betrayed when they are victims of an unsatisfied service encounter (Grégoire et al., 2009). Specifically, customers who have high-quality relationships tend to consider themselves deserving of special treatment by service providers and respond more negatively than those with weak or no relationships when they experience a service encounter transgressing relational norms (Aggarwal, 2004). Considering that a company's practice of treating other customers preferentially can be viewed as a service event transgressing the expected relational norms, a focal customer who is loyal to the company is even more likely to feel underappreciated and respond negatively. In line with this logic,

when a nonprioritized customer is high in attitudinal loyalty, this customer is proposed to respond to the envy toward preferentially treated customers with a stronger desire for revenge and a weaker desire to look up to and work toward those customers. According to the above rationale, I propose the following.

H5: Attitudinal loyalty (a) strengthens the positive effect of the envy toward preferentially treated customers on revenge motivation, and (b) weakens the positive effect of the envy toward preferentially treated customers on self-enhancement motivation.

3.4.6. The Effect of Revenge Motivation on Negative Word-Of-Mouth

In the case that nonprioritized consumers are motivated to seek revenge on a company they see as being responsible for their inferior position by treating other customers preferentially, they are likely to spread negative WOM about the company to vent their anger. The concept of negative WOM is defined as the degree to which a nonprioritized customer intends to communicate unfavorable experiences regarding a company that practices customer prioritization.

As hostility was found to be the primary contributor of negative WOM behavior (Bougie, Pieters & Zeelenberg, 2003), revenge motivation can be viewed as a hostile expression of envy that drives the behavior of negative WOM. Because negative WOM provides an outlet for customers to seek revenge for their undesirable exchange experiences (Wetzer, Zeelenberg & Pieters, 2007), the revenge motivation resulting from the envy toward preferentially treated customers is likely to drive nonprioritized customers to spread negative WOM to get even with the service provider.

Specifically, the social comparison literature suggests that in response to the resentment derived from the unjustified advantage obtained by a comparison target, individuals are likely to accuse the upward comparison target of obtaining the superiority in an unjustified way (Smith, 2000). As the revenge motivation can be considered as a manifestation of resentment derived from the upward comparison against the preferentially treated others, nonprioritized customers are likely to respond to the revenge motivation by spreading negative WOM to accuse a company of inappropriately treating other customers preferentially. In turn, a nonprioritized customer's revenge motivation toward a company that practices preferential treatment is proposed to encourage negative WOM toward the company. Therefore, I propose the following.

H6: The revenge motivation leads a nonprioritized consumer to spread negative WOM toward the company.

3.4.7. The Effect of Self-Enhancement Motivation on Program Participation

As the envy toward prioritized customers can also drive self-enhancement motivation, I propose that this positive motivation is likely to lead nonprioritized customers to participate in a loyalty reward program. The positive motivation derived from envy often drives people to adjust their relatively inferior positions by taking actions to work toward the superiority possessed by envied others (Van de Ven et al., 2011a). One way for nonprioritized customers to work toward earning preferential treatment is by participating in the loyalty reward program; this is the proposed positive outcome in this dissertation. Program participation is

defined as the degree to which a nonprioritized consumer intends to opt in to a company's loyalty reward program (Seiders et al., 2005).

The fundamental idea of loyalty reward programs is to build relationships with customers by rewarding them for their participation in those programs, such that participants will develop trust and commitment with a company based on the appreciation of the company's relationship investment effort (De Wulf et al., 2001). Generally speaking, there are five situations in which customers are apt to participate in a program (De Wulf et al., 2003): (1) they are asked to provide only basic information (e.g., name and address), as opposed to extended information; (2) they do not need to pay for program participation; (3) they purchase frequently; (4) they perceive that the participation is exclusive; and (5) they only need to make minimum efforts to participate. After a consumer opts into a loyalty program, he/she tends to engage in repurchase behavior (i.e., number of visits and dollars spent) to a greater extent (Seiders et al., 2005). However, as prior research overlooks the psychological mechanism that explains how customers are prompted to participate in loyalty programs, this dissertation addresses this issue by looking into the self-enhancement motivation derived from the envy toward preferentially treated customers.

The constructive motivation derived from envy inspires individuals to adjust the frustration associated with the lack of an envied other's superiority by putting in greater effort to obtain the superior position (Van de Ven et al., 2011a). This perspective is consistent with social comparison theory that, for the purpose of self-enhancement, individuals can be motivated to adjust their relative inferiority derived from upward comparison by taking actions to improve their current state (Collins, 1996). Self-enhancement motivation derived from envy can draw a person's attention to the

improvement opportunity reflected by an envied target's superiority and encourage behaviors to keep up with the target (Van de Ven et al., 2009). In turn, nonprioritized consumers are proposed to respond to the self-enhancement motivation derived from the envy toward the preferentially treated others by participating in a loyalty reward program to earn the preferential treatment for themselves. Therefore, I expect the following.

H7: Self-enhancement motivation exerts a positive effect on the program participation of a nonprioritized consumer.

3.5. Summary

Encouraging existing nonprioritized customers to engage in a loyalty reward program is an important yet overlooked research area. Focusing on the research context that nonprioritized customers are aware of others' preferential treatment, I draw on social comparison theory and propose that witnessing others' preferential treatment leads nonprioritized customers to feel envious of the preferentially treated customers. This envy brings not only the negative response of revenge motivation but also the positive response of self-enhancement motivation. The effect of envy on these two motivations is proposed to vary based on the conditions of rule knowledge and attitudinal loyalty. Specifically, as the rule knowledge (attitudinal loyalty) increases, a person is more (less) likely to respond with self-enhancement motivation and is less (more) likely to respond with revenge motivation. While the motivation of revenge against the company providing preferential treatment to the envied others is proposed to lead to negative WOM toward the company, the motivation of self-enhancement is proposed to encourage the participation in a loyalty reward program.

CHAPTER IV

RESEARCH DESIGN AND METHODOLOGY

4.1. Introduction

This chapter outlines the methodology used to examine the conceptual model proposed in the previous chapter. Specifically, there are two major sections that explain the research design and method of the two different studies. In the first section, I discuss Study 1 with a video manipulation-based experiment to examine the main effects as well as the moderating factor of rule knowledge with a fictitious loyalty reward program. The second section describes how Study 2 examines the moderating role of attitudinal loyalty and investigates the entire research model with a field survey, using a critical incident technique that requires participants to recall an experience of witnessing preferential treatment and answer questionnaires based on the recalled experience. Each section is organized into three subsections: (a) research design (i.e., study design and sample population), (b) measurement (i.e., measures of dependent variables and controlled variables), and (c) the data analysis plan (i.e., rationale for the adopted analysis approach to test the proposed hypotheses).

These two studies examine the conceptual model in a hotel context because customer prioritization has been particularly prevalent in the hospitality industry (Hoffman & Lowitt 2008; McCall & Voorhees, 2010). While some preferential treatment rewards provided by hotels (e.g., priority check-in lane for prioritized customers) can be relatively obvious to nonprioritized customers as loyalty rewards, others (e.g., providing free goodie bags and complimentary breakfast vouchers to prioritized customers only) can be less obvious and viewed as unexplained preferential treatment. Given the popularity of prioritization practices and the variety of preferential treatment rewards in the hotel industry, the proposed model is tested with two different studies in the hotel context.

4.2. Study 1

The purpose of Study 1 is to test the main effects of witnessing preferential treatment on a person's positive and negative reactions via the feeling of envy, as well as to examine the moderating role of rule knowledge. Using video manipulation, I utilized an experiment with a 2 (preferential treatment: yes versus no) × 2 (rule knowledge: yes versus no) between subjects design. The variables of preferential treatment and rule knowledge are manipulated with a fictitious video about a hotel encounter. Specifically, for the preferential treatment manipulation, subjects notice that other customers skip the check-in line in the video. Meanwhile, regarding the rule knowledge manipulation, subjects are told that the preferential treatment is the reward for those customers who are members of the hotel's loyalty program. Shortly after, participants are instructed to answer a survey regarding the measures of dependent variables and control variables.

4.2.1. Study 1 Sample and Procedure

I accessed customers with hotel staying experiences through help from an online research panel. The method of using online research panels to reach customers has been widely adopted by marketing researchers (e.g., Arora, Henderson, & Liu, 2011; Danaher, Roberts, & Simpson, 2011) because research panels provide easy access to reach appropriate samples. Although the research panel method can potentially raise the issue of nonprobability samples, the influence of this issue on data quality has been found to be very minor (Schillewaert & Meulemeester, 2005).

To collect the data via Qualtrics online panel, I recruit subjects with hotel staying experiences to participate in this study. To train participants to watch videos from the first person perspective, the participants are first exposed to a neutral video and are instructed to answer three questions based on the video (e.g., Who did you interact with in the video?). Then, participants proceed to watch the manipulated video. Prior to watching the video, they are told to imagine that they are on a trip with their friends and they just arrived at the hotel. Then, the subjects are instructed to imagine that they are nonprioritized customers of a hotel chain. The footage in the video is what the participant is seeing from a first person perspective. Based on random assignments, the recruited participants are exposed to one of the following manipulated conditions: no preferential treatment with no rule knowledge condition, no preferential treatment with rule knowledge condition, preferential treatment with no rule knowledge condition, and preferential treatment with rule knowledge condition.

After watching the manipulated video, participants are requested to fill out a survey based on the video. The survey includes the measures of envy, revenge motivation, self-enhancement motivation, and the behavioral intention of negative WOM and program

participation. In addition, as the proposed effects are based on social comparison theory, the measure of state social comparison is included to examine whether the effects are indeed derived from the social comparison process.

Also, given that the perception of reward attainability often influences consumers' reaction to loyalty reward practices (Bagchi & Li, 2011) and that an upward comparison tends to influence people differently based on the perceived attainability of a comparison target's superiority (Collins, 2000), the perceived attainability of others' preferential treatment is measured. Moreover, as the perceived fairness of others' superior position and the similarity of superior others can affect how people react to envy derived from an upward social comparison, the measures of fairness and similarity are included. To further ensure response quality, participants are asked to answer an attention check question, which instructs the participants to mark the question with a specific answer. Lastly, they are asked to provide background information.

4.2.2. Study 1 Manipulation

First, subjects are given the following information: "In this section, we would like you to watch a hotel customer service video because we are working with a well-known hotel chain to help provide insights into customer service encounters. Please imagine you are a customer of the hotel chain. You have stayed there in the past and have been satisfied. Today, you visit this hotel for a two-night stay to enjoy a vacation with your friends. Your friends have not arrived yet, so you carry your luggage into the hotel and join the waiting line to check in. Now, please click the ">>" button to watch the video on the next page and imagine that the camera is your eyes and what the camera shows is what you see in person. As you observe

what happens next, please imagine yourself in this story. It is very important that you pay close attention to the video." Then, they are exposed to the manipulated video.

The video starts with the scene of walking into the hotel lobby with luggage and showing a long waiting line in the lobby. After joining the line, participants notice that one other customer walks into the lobby. In the preferential treatment condition, this customer skips the line to be checked in by the front desk employee without any waiting time. In the no preferential treatment condition, this customer joins the line and waits in the line to be checked in. In the rule knowledge condition, a front-desk employee walks to the line and says, "Welcome to our hotel. Is anyone here an elite member of the hotel's reward program and eligible for priority check in?" In the no rule knowledge condition, a front-desk employee walks to the line and says, "Welcome to our hotel. Does anyone have any questions for me?"

In terms of the manipulation check, the preferential treatment manipulation is checked by asking participates to think back to the video and answer the question "How would you describe the level of service received by the other customer who walked into the lobby after you in the video?" (i.e., on a scale of 1 to 7; 1 = same as the level of service I received; 7 = much better than the level of service I received). Meanwhile, the rule knowledge manipulation is checked by asking participates to recall the scenario in the video and answer the question, "Do you know why some customers can receive special treatment provided by the hotel?" (1 = No; 2 = Yes). The detailed instructions and video manipulation are provided in Appendix D.

4.2.3. Study 1 Measures

With regard to the measures of dependent variables, I measure envy toward other customers by adapting the Cohen-Charash and Mueller (2007) measure. Specifically, envy is assessed by the following four items: “I would feel envious of the other customers”; “I would be envious of the service treatment received by the other customers”; “I would feel envious of the attention that the other customers received”; “I would want what the other customers received.” Shortly after, they are asked to rate their self-enhancement motivation and revenge motivation. Building on the Fishbach et al. (2007) self-improvement scale, I measure self-enhancement motivation with the following four items: “I would want to change my behaviors to earn more benefits for myself”; “It would be important for me to get better benefits”; “I would want to enhance my existing position”; “I would want to alter my behaviors to improve my current situation” Meanwhile, the revenge motivation is measured with the Gregoire et al. (2009) five-item scale: “I would want to take actions to get the hotel in trouble”; “I would want to punish the hotel in some way”; “I would want to cause inconvenience to the hotel”; “I would want to get even with the hotel”; “I would want to make the hotel get what it deserves.”

The behavioral intention of negative WOM is measured by the Alexandrov, Lilly, & Babakus (2013) three-item scale: “I would like to say negative things about the hotel”; “I would like to warn my friends and relatives not to purchase from the hotel”; “ I would like to complain to my friends and relatives about the hotel.” Also, given that prior research has primarily examined loyalty program participation as a dichotomous variable (e.g., De Wulf et al. 2003; Seiders, Voss Grewal, & Godfrey, 2005), I built on the customer participation measure (Chan, Yim, & Lam, 2010) to assess the behavioral intention of program

participation using the following items: “I would participate in the hotel's loyalty program”; “I would be involved in the hotel’s loyalty reward program”; I would put effort in the hotel’s loyalty reward program”; “I would spend time engaging in the hotel’s loyalty reward program”; “I would pay more attention to the company’s loyalty program than I previously had.” The above scales are measured with seven-point Likert scales.

To examine the underlying social comparison process, the stated upward social comparison is measured by adapting the scale used by Bolger and Amarel (2007) and White, Langer, Yariv, & Welch (2006) to ask the participants how they feel about the other customers during the hotel encounter: “I would compare myself to the other customers shown in the video”; “I would pay a lot of attention to how I do things as compared to how the other customers shown in the video do things”; “I would consider my situation in life relative to that of the other customers shown in the video.” In addition, I revise the Klesse, Goulens, Geyskens, & de Ruyter (2012) measure to assess perceived attainability by three items: “If I wanted to, I could receive special treatment from hotel employees”; “It is realistic for me to acquire the special treatment from hotel employees”; “I am confident that I would be able to receive the special treatment from hotel employees.” The variable of preferential treatment fairness is measured by the scale used by Samaha, Palmatier, & Dant (2011): “I would consider that the way the hotel treated me was unfair”; “I would consider that the way the hotel treated me was unjustified”; “Given my behavior as a customer, I would consider that the hotel treated me unfairly”; “Given what the hotel earns from their sales to me, I would consider that it treated me unfairly.” Furthermore, the perceived similarity with the customers who received preferential treatment is measured by the extent to which subjects consider the preferentially treated customers similar to themselves (Mallett, Wilson, &

Gilbert, 2008). All the measurement scales used seven-point Likert scales. The detailed measurement instrument is shown in Appendix D.

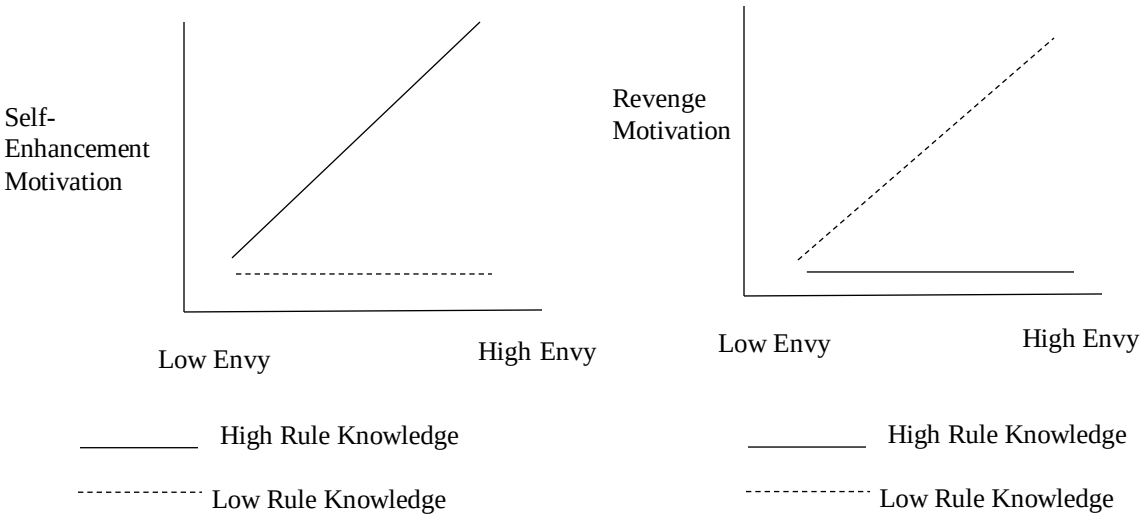
4.2.4. Study 1 Data Analysis Plan

The data are analyzed via the following key steps. First, the data are coded and organized in a systematic manner via statistical software. Next, I examine the psychometric properties of all scales by running a confirmatory factor analysis to check the latent variables' expected factor structure. Reliability is assessed by calculating composite reliability and Cronbach's coefficient alpha to check construct reliability while validity is evaluated with average variance extracted (AVE) to measure the amount of variance in indicators that are accounted for by the corresponding constructs. Preferential treatment manipulation is checked with one-way analysis of variance (ANOVA) while rule knowledge manipulation is checked with a cross tabulation analysis.

Finally, to examine the influence of the 2 (preferential treatment: high versus low) × 2 (rule knowledge: yes versus no) experimental design, I use a two-way multivariate analysis of variance (MANOVA) to test whether the two manipulated variables interact to influence the dependent variables by comparing the mean differences. Specifically, I expect that with the presence of rule knowledge, the positive effect of envy on revenge motivation is weakened and the positive influence of envy on self-enhancement motivation is strengthened. The proposed moderation is tested with hierarchical regression to input preferential treatment and control variables in the first step, the independent variables of envy and rule knowledge in the second step, and the interaction term of envy and rule knowledge in the third step. The interaction term is created by multiplying the mean-centered score of envy with the mean-

centered score of rule knowledge. For the interactive effect that was statistically significant, I further explored the nature of the interaction using simple slopes analysis (Aiken & West, 1991). The proposed interaction is shown in Figure 4-1.

Figure 4-1. Proposed Interaction of Rule Knowledge



The moderated mediation effects are examined with the method introduced by Preacher, Rucker, and Hayes (2007) to run PROCESS macro by exploring the 95% confidence intervals with 5,000 bootstrap samples. Specifically, using Model 14, I test the indirect effect of preferential treatment on revenge motivation and self-enhancement motivation through envy as well as the moderating effect of rule knowledge on the relationship between envy and these two types of motivation. Then, I utilize simple regression to examine the effect of these two types of motivation on negative WOM and loyalty program participation.

4.3. Study 2

So far, I have examined the proposed research model by manipulating preferential treatment and rule knowledge as dichotomous variables in the experimental setting. Study 2

aims to extend the previous studies by examining the moderating role of attitudinal loyalty and by exploring how a nonprioritized customer reacts differently based on the degree of preferential treatment and rule knowledge in a field setting. In this study, I take a survey approach to measure all the variables in the proposed model as well as the controlled variables. In additional to the emotional mechanism of envy focus in this research, I control for cognitive explanations.

In accordance with Study 1, I control for the state social comparison, reward attainability, fairness perception, and the similarity of preferentially treated customers. Additionally, given that the current study adapts the survey method with a critical incident technique such that different incidents can involve rule knowledge with regard to various hotel reward programs, the perceived appropriateness of reward rules, as well as the perceived monetary benefits associated with program rewards are controlled in this study.

4.3.1. Study 2 Sample and Procedure

The sample of this study consists of hotel customers in the United States. In particular, participants are recruited based on a contact list acquired from Ipsos. Customers who agreed to participate are able to access the survey link in the email to complete the survey electronically through the Qualtrics platform. Participants are first requested to think about a recent hotel experience in which they notice other customers receiving better service treatment. Then they are asked to answer survey questions based on this recalled incident. The self-reported survey questionnaire includes the measures of preferential treatment, rule knowledge, attitudinal loyalty, envy, self-enhancement motivation, revenge motivation, program participation, and negative WOM as well as the control measures of state social

comparison, fairness perception, reward attainability, perceived similarity, rule appropriateness, and monetary benefits.

4.3.2. Study 2 Measures

All the constructs are operationalized using self-reported measures. With seven-point Likert-type scales, measurement items are anchored by strongly disagree and strongly agree for the opinion scales. The dependent and moderating measures are adapted from the same sources as Study 1. In terms of the preferential treatment measure, I follow Lacey et al. (2007) in measuring the degree of preferential treatment with a five-item scale. Participants are asked to indicate the extent to which they consider the hotel providing better service to other customers.

Prior to the preferential treatment scale, participants are instructed to recall a situation in which they noticed other people receiving better treatment during their stays at a hotel chain. Shortly after, they are asked to answer preferential treatment measure based on the recalled experience. For rule knowledge, as the variable was measured in Study 1 as whether people understand the rules by which a hotel rewards certain customers, the current study extends the prior study by shifting the focus to measure the degree to which they clearly understand the reward rules of a hotel loyalty program.

Given that no existing scale was available, I drew on information clarity literature (Steinhoff and Palmatier, 2014) and customer knowledge literature (Chiou, Droge, & Hanvanich, 2002) to measure the construct by asking participants the extent to which they know the rules of how a hotel distributes rewards. Adopting the scale from Wirtz, Mattila, & Lwin (2007), attitudinal loyalty is measured by having participants indicate the degree to

which they prefer a hotel brand to others. The variables of envy, self-enhancement motivation, revenge motivation, program participation intention, and negative WOM intention are assessed with the measurement items similar to Study 1.

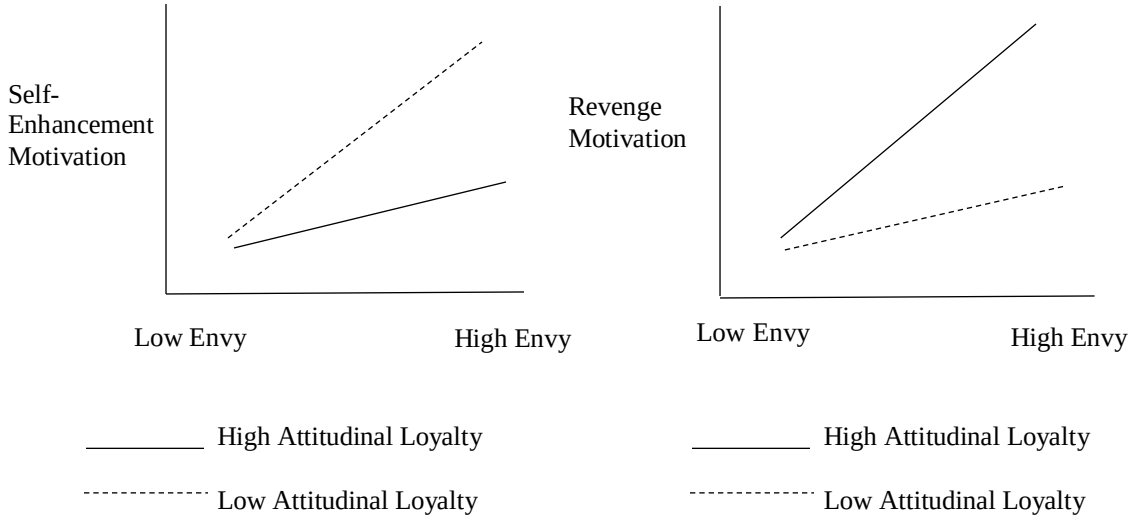
The alternative explanation of perceived monetary benefits of loyalty rewards is measured with the scale established by Mimouni-Chaabane and Volle (2010). Specifically, the monetary utility of rewards is measured as the extent to which participants perceive that loyalty rewards enable them to save money. In addition, I measure the controlled variable of rule appropriateness by adapting the Sinaceur, Van Kleef, Neale, Adam, & Haag (2011) perceived appropriateness scale. In particular, I ask the subjects to indicate the degree to which they think the preferential treatment rule is proper/legitimate. The measures of state social comparison, reward attainability, perceived similarity of preferentially treated others, and preferential treatment fairness are measured in way similar to Study 1. The measurement items of all the scales used in Study 2 are reported in Appendix E.

4.3.3. Study 2 Proposed Analysis

To examine the proposed model, this study followd a data analysis procedure similar to Study 1 by taking a few key analysis steps. I begin by checking the raw data and coding it into statistical software. Following the examination of psychometric properties, I check the reliability and validity of all scales with the assessment of coefficient alpha, composite reliability, and AVE. Given that the survey responses are collected from a single source, I utilize Harman's (1967) One-Factor Test to examine whether the same source bias is an issue in this data. In addition, because the recalled incidents could be nested within different hotel

brands, I estimate the values of ICC and design effect to determine whether I need to take the nesting structure into account.

Figure 4-2. Proposed Interaction of Attitudinal Loyalty



In the last step, I investigate the proposed indirect relationships with structural equation modeling (SEM). First, a confirmatory factor analysis is conducted to ensure the fit of the measurement model. Once I confirm that the measurement model has satisfactory fit to the data, I proceed to run the SEM analysis to examine the main effects proposed in the research model. Then the moderation effects are tested with hierarchical regression by including control variables and preferential treatment in step 1, the main effect variables in step 2, and two-way interaction terms in step 3. For the statistically significant interactive effects, I conduct simple slope analyses (Aiken & West, 1991) to plot the interaction with values -1 standard deviation from the mean, at the mean, and +1 standard deviation from the mean. The hypothesized interaction of rule knowledge is displayed in Figure 4-1, and the hypothesized interaction of attitudinal loyalty is shown in Figure 4-2.

4.4. Summary

In the current chapter, I have provided an overview of the methodology utilized in this dissertation. Two proposed studies are discussed in two subsections. Each subsection provides a detailed explanation of research design, measures, and a proposed data analysis plan. In the next chapter, I will illustrate the results found from the collected data as well as examine the hypothesized relationships proposed in this dissertation based on these results.

CHAPTER V

DATA ANALYSIS AND RESEARCH FINDINGS

5.1. Introduction

This chapter contains three major sections. The first is concerned with the data analysis of the experiment in Study 1. This section begins with a description of sample characteristics to describe the key demographics of participants as well as their experience with hotel loyalty programs. Then, I discuss the assessment of measurement quality to check the properties of measurement scales and to examine manipulations with the manipulation check question. The section ends by testing the hypotheses proposed in the previous chapter, including analysis of the impact of rule knowledge and preferential treatment on the outcomes of participation and negative WOM through the mediators of envy, self-enhancement motivation, and revenge motivation.

The second section provides a detailed discussion of the analysis and findings based on the survey data from Study 2. The discussion first describes sample characteristics, such as the type of customers sampled and other key demographics. Then, I examine the measurement model by checking the psychometric properties and discussing the results

of the confirmatory factor analysis. Last, all the hypotheses are tested with a SEM analysis. This chapter ends with a summary of the research findings from the analysis.

5.2. Study 1

The first study is an experimental study that serves the purpose of establishing the effects of preferential treatment and rule knowledge on the responses of witnessing customers. An experiment with a 2 (preferential treatment: yes versus no) × 2 (rule knowledge: yes versus no) between-subjects design was conducted.

5.2.1. Study 1 Respondent Screening and Sample Characteristics

Data were collected via Qualtrics panel by conducting the experiment online. I recruited customers who had visited hotels in the past six months to participate in the online experiment. To ensure the quality of the data, I included an attention check question: "If you are reading this question, please select the disagree circle." Participants who did not select the disagree circle were considered to have failed the attention check. After filtering out members who had not visited hotels recently and who failed the attention check, I received a total of 314 responses. To check whether participants were paying attention to the manipulated videos, I screened participants' responses to thought listing open-ended questions (i.e., "Think back to the video you just watched. Please write down what you would have been feeling and thinking in the situation"), which were asked right after displaying the manipulated video. I found that 11 participants were not engaged with the video manipulation. Therefore, their responses were dropped from further analysis so that

303 responses remained in the dataset. The open-ended responses of these nonengaged participants are displayed in Table 5-1 below.

Table 5-1. Thought Listing Responses from Nonengaged Participants

ID	Feeling(s) toward the situation	Thought(s) toward the situation
28	bada	hola<
52	d	d
57	It's a great way to go to the next couple of years	It's a great way to go to the next couple of years
76	Not a thanking	No a thanking
224	nnxnx	ysususuu
226	the time for action is not but much later	the evil within us all will take the cake and suck it off
234	kind of boring	not much interest
287	Boring	I am confused.
293	p	o
306	bored	im bored
313	dwadaw	dwadasd

To assess the characteristics of respondents, participants were requested to provide some information about themselves in addition to watching the video manipulation and answering a questionnaire. The questions on participant characteristics covered gender, age, nationality, the experience of participating in hotel loyalty programs, and participants' current status in hotel loyalty programs. Based on the 303 usable responses, I found that the participants were 44 years old on average, with a minimum age of 18 and maximum age of 99. Additionally, 51% of them were females, and 97% of them were of U.S. nationality. As for loyalty program participation, 39% of participants did not have any experience joining hotel loyalty programs. Among the 61% participants who had experience with hotel loyalty programs, only 30% of them had an elite status in the loyalty programs in which they participated. The details regarding the hotel loyalty programs in which they participated are provided in Tables 5-2 and 5-3.

Table 5-2. Sample Characteristics Break Down by Program Participation

Breakdown	Frequency	Percentage
Starwood Preferred Guest	35	12
Wyndham Rewards	56	19
Hyatt Gold Passport	24	8
La Quinta Returns	26	9
Choice Privileges	39	13
Club Carlson	11	4
Marriott Rewards	76	25
Best Western Rewards	49	16
Hilton HHonors	66	22
Intercontinental Hotels Group (IHG)	32	10
Le Club Accorhotels	0	0
Other (Motel 6, Red Roof Inn, Dunes Manor Hotel)	5	2
None	117	39

Table 5-3. Sample Characteristics Break Down by Elite Status

Breakdown	Frequency	Percentage
Starwood Preferred Guest	8	3
Wyndham Rewards	19	6
Hyatt Gold Passport	12	4
La Quinta Returns	10	3
Choice Privileges	12	4
Club Carlson	2	1
Marriott Rewards	26	9
Best Western Rewards	16	5
Hilton HHonors	19	6
Intercontinental Hotels Group (IHG)	7	2
Le Club Accorhotels	0	0
Other (Red Roof Inn)	5	2
None	211	70

5.2.2. Study 1 Data Cleaning and Measurement Quality Assessment

To clean the dataset, I first looked into the data to search for missing values. After a thorough examination, I did not detect any incomplete responses. Therefore, a total of 303 responses were used for further analysis. In the next step, I examined the univariate statistics for the study variables by analyzing central tendency measures, histograms, and frequency distributions. In terms of the central tendency, the measures of mean, median, and mode were reasonable and did not suggest any concerns. According to the histograms, the distribution of

measurement items was not out of the ordinary. Additionally, skewness and kurtosis for the distribution of measurement items were within the cut-off point of plus and minus 2 (George & Mallery, 2010). Taken together, these findings suggested the univariate distribution of measurement items was normal.

I also checked the measurement quality by assessing the reliability and validity of the study variables. I examined the internal consistency reliability by estimating Cronbach's (coefficient) alpha. According to Nunnally (1978), a scale can be viewed as reliable if its coefficient alpha is at least 0.70. After calculating the coefficient alpha for each of the study variables, I found that all constructs met the benchmark with values of the coefficient alpha above 0.70. Therefore, the internal reliability of the measurement scales was established.

To check the expected factor structure of the latent variables (i.e., envy, self-enhancement motivation, revenge motivation, participation, and negative WOM), a confirmatory factor analysis was conducted using Mplus Version 7. The results suggested that the measurement model had an acceptable fit to the data (χ^2 = 908.879, *df* = 428, $p < .01$; root mean square error of approximation (RMSEA) = .06; comparative fit index (CFI) = .96; Bollen & Long, 1993). Additionally, all the indicators significantly loaded ($p \leq .05$) on their corresponding constructs.

The standardized loadings from confirmatory factor analysis (CFA) were then used to calculate the composite reliability of each study variable. The value of composite reliability shows the extent to which the variance of a construct is explained by its corresponding indicators. In general, the estimate of composite reliability needs to be greater than 0.7 to be considered reasonable. In this study, all constructs met the benchmark to demonstrate adequate composite reliability.

Table 5-4. Study 1 Full Measurement Model

Construct	Standardized Loading	Composite Reliability (CR)	Average Variance Extract (AVE)
Envy		0.91	0.71
Envy 1	0.86**		
Envy 2	0.94**		
Envy 3	0.94**		
Envy 4	0.59**		
Self-enhancement Motivation (EN)		0.92	0.75
EN 1	0.83**		
EN 2	0.83**		
EN 3	0.92**		
EN 4	0.89**		
Revenge Motivation (REV)		0.97	0.85
REV 1	0.87**		
REV 2	0.92**		
REV 3	0.95**		
REV 4	0.94**		
REV 5	0.92**		
Program Participation (PART)		0.97	0.90
PART 1	0.94**		
PART 2	0.96**		
PART 3	0.95**		
PART 4	0.95**		
Negative Word-Of-Mouth (NWOM)		0.96	0.89
NWOM 1	0.94**		
NWOM 2	0.97**		
NWOM 3	0.93**		
Fairness Perception (FAIR)		0.97	0.77
FAIR 1	0.95**		
FAIR 2	0.94**		
FAIR 3	0.95**		
FAIR 4	0.94**		
Perceived Similarity (SIM)		0.89	0.81
SIM 1	0.85**		
SIM 2	0.94**		
Social Comparison (SC)		0.80	0.58
SC 1	0.65**		
SC 2	0.78**		
SC 3	0.84**		
Reward Attainability (ATAN)		0.89	0.73
ATAN 1	0.83**		
ATAN 2	0.83**		
ATAN 3	0.90**		

** All values significant at .01 level.
Model Fit: $\chi 2 = 908.897$; df = 428; p = 0.00; CFI = 0.96; RMSEA = 0.061; SRMR = 0.049

Then, I calculated AVE to assess convergent validity (Fornell & Larcker, 1981). The value of AVE reflects the degree to which a construct explains the variance in its

corresponding indicators. Scholars generally look for an AVE greater than 0.5 to ensure convergent validity. All the constructs in this study met the benchmark, with AVE values greater than 0.5. Additionally, as an alternative way to confirm convergent validity, I compared the AVE and composite reliability of each construct and confirmed that the value of AVE was smaller than the value of composite reliability. Taken together, the convergent validity of all study constructs was demonstrated. The standardized loadings of confirmatory factor analysis, composite reliability, and AVE are displayed in Table 5-4.

Last, I examined the discriminant validity at both the construct and item levels. Discriminant validity refers to "the extent to which the measure is indeed novel and not simply a reflection of some other variable" (Churchill, 1979, p. 70). At the construct level, discriminant validity is shown when the squared interfactor correlation of two factors is smaller than the AVE of these two factors. At the item level, an indicator needs to have a higher correlation with its corresponding factor than with the other factors. The findings of this study suggested that the discriminant validity at the individual level as well as the construct level was confirmed.

5.2.3 Study 1 Summated Scale Descriptives

According to the results from the analysis in the previous section, the measurement scales were shown to have reasonable reliability and validity. Therefore, I constructed composite scores for each construct. Because all the scales used in this dissertation are reflective measures, I calculated the composite score for each construct by first summing the scores of the underlying items and dividing the sum by the number of underlying items. Then, the composite score for each construct of interest was employed to test the hypotheses.

Table 5-5. Descriptive Statistics, Variable Intercorrelations, and Reliability

Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10	11
1. Preferential Treatment	0.52	0.50	N/A										
2. Rule Knowledge	0.52	0.50	0.04	N/A									
3. Envy	4.13	1.68	0.28**	0.04	0.90								
4. Enhancement Motivation	4.15	1.61	0.17**	0.08	0.52**	0.92							
5. Revenge Motivation	2.74	1.68	0.16**	-0.05	0.33**	0.16**	0.97						
6. Participation	4.20	1.73	-0.05	0.10	0.12*	0.37**	-0.19**	0.97					
7. NWOM	3.70	1.88	0.12*	-0.06	0.23**	0.01	0.54**	-0.44**	0.96				
8. Social comparison	4.26	1.39	0.05	0.08	0.41**	0.58**	0.20**	0.38**	0.04	0.80			
9. Fairness Perception	4.01	1.89	0.18**	-0.10	0.36**	0.14*	0.52**	-0.34**	0.68**	0.17**	0.97		
10. Similarity	4.75	1.41	0.03	0.05	0.22**	0.33**	0.09	0.30**	0.01	0.59**	0.11*	0.89	
11. Reward Attainability	4.13	1.49	-0.04	0.17**	0.23**	0.39**	0.08	0.42**	-0.07	0.42**	-0.09	0.31**	0.89

*Correlation is significant at $p \leq .05$ (two-tailed test).
**Correlation is significant at $p \leq .01$ (two-tailed test).

In Table 5-5, I present the correlation matrix for the study variables used in hypothesis testing and the control variables as well as the mean and standard deviation for each construct. The diagonal of the matrix shows the Cronbach's alpha calculated earlier when examining construct reliability. After reviewing the correlations, I found that most variables had statistically significant correlations with other variables, and there were no unexpected correlation values in terms of polarity. Additionally, the dependent and control variables (fairness perception, reward attainability, similarity, and state social comparison) were shown to be correlated.

The control variables of similarity, state social comparison, and fairness perception did not interact with envy to influence revenge motivation (Envy_Similarity: ß = 0.04, p =.24; Envy_SocialComparison: ß = 0.06, p =.07; Envy_Fairness: ß = 0.03, p =.19) and self-enhancement motivation (Envy_Simiarlity: ß = -0.03, p =.27; Envy_ SocialComparison: ß = -0.01, p =.72; Envy_Fairness: ß = -0.01, p =.53). Although the interactive effect of reward attainability and envy on self-enhancement motivation was not statistically significant (ß = 0.03, p >.05), the interactive effect on revenge motivation was statistically significant at 0.01 level (ß = 0.10, p <.01). Therefore, only the controls of similarity, state social comparison and fairness perception were included for further analysis.

5.2.4 Study 1 Hypothesis Testing

The following section examines the proposed hypotheses and discusses the results of hypothesis testing. Because this study employed a 2 (preferential treatment: yes versus no) × 2 (rule knowledge: yes versus no) design, I first checked the manipulation of preferential treatment and rule knowledge. The manipulation of preferential treatment was checked with

the question: “Think back to the video you just watched. How would you describe the level of service provided by the hotel to the other customer who walked into the lobby after you and was waiting behind you in the line?” (1 = the same as the service I received; 7 = much better than the service I received). The manipulation check was performed by running an ANOVA. According to the results, a main effect of preferential treatment was found ($F(1, 302) = 59.044$, $p < .01$) such that the service treatment level received by the other customer shown in the video was perceived as better in the preferential treatment condition ($M = 5.40$) than in the no preferential treatment condition ($M = 3.79$). The main effect of rule knowledge ($F(1, 302) = 2.92$, $p > .05$) and the interactive effect of preferential treatment knowledge and rule knowledge ($F(1, 302) = 0.01$, $p > .05$) were not statistically significant at the 0.05 level.

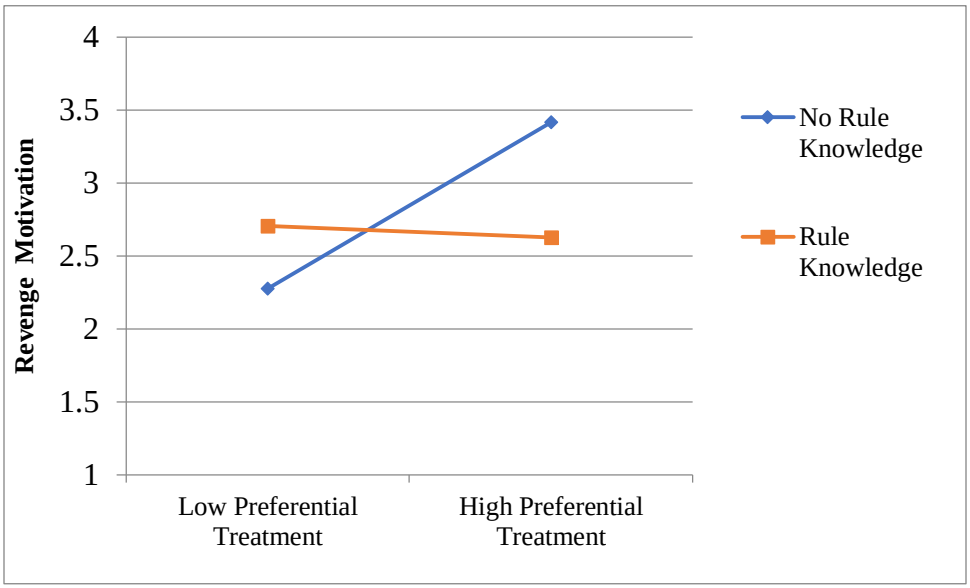
Because the manipulation of rule knowledge was checked with a yes/no binary question (“Think back to the video you just watched. Do you know why some customers can receive special treatment provided by the hotel?”), I ran a crosstab analysis with rule knowledge and preferential treatment as independent variables to check this manipulation. The results suggested that in the rule knowledge condition, 80% of the participants indicated they knew why the other customer received special treatment, whereas 20% did not know. In the no rule knowledge condition, 66% of the participants thought they did not know why special treatment was provided to the other customers, whereas 34% thought they knew why. The crosstab analysis of rule knowledge and the manipulation check were statistically significant (Pearson $\chi^2 = 65.44$, $p < .01$). At the same time, the crosstab analysis for preferential treatment and the manipulation check were not statistically significant (Pearson $\chi^2 = 0.29$, $p > .05$). In sum, the findings showed that preferential treatment and rule knowledge were manipulated successfully.

To examine the interactive effect of preferential treatment and rule knowledge on self-enhancement motivation and revenge motivation via envy, I first conducted a 2 (preferential treatment: yes versus no) × 2 (rule knowledge: yes versus no) MANOVA on self-enhancement motivation and revenge motivation and ran a separate ANOVA with envy as the dependent variable. Then, I added envy as a covariate to the original model with self-enhancement motivation and revenge motivation as the dependent variables to explore the mediating role of envy. All these analyses were controlled for fairness perception, similarity, and state social comparison.

According to the MANOVA results, there was a statistically significant difference in the motivation experienced by participants based on preferential treatment ($F(2, 295) = 5.95$, $p < .01$; Wilk's $\Lambda = 0.97$, partial $\eta^2 = .03$), such that I found a statistically significant main effect of preferential treatment on self-enhancement motivation ($F(1, 296) = 8.64$, $p < .01$) but not revenge motivation ($F(1, 296) = 1.61$, $p > .05$). Specifically, participants in the preferential treatment condition experienced a greater degree of self-enhancement motivation ($M = 4.37$) than those in the no preferential treatment condition ($M = 3.92$). Meanwhile, the interactive effect of preferential treatment and rule knowledge on self-enhancement motivation was not statistically significant ($F(1, 296) = 0.53$, $p > .05$), but the effect on revenge motivation was statistically significant ($F(1, 296) = 3.90$, $p = .05$). Preferential treatment had a positive effect on revenge motivation without the presence of rule knowledge ($M_{preferential\ treatment} = 3.04$ versus $M_{no\ preferential\ treatment} = 2.47$). However, no significant difference was found when participants were aware of the preferential treatment rules ($M_{preferential\ treatment} = 2.69$ versus $M_{no\ preferential\ treatment} = 2.78$).

To further examine the nature of this interactive effect, I conducted a simple slope analysis as recommended by Aiken and West (1991) to plot interaction at one standard deviation below and above the mean. The plotted interaction is displayed in Figure 5-1. The results suggested that the slope of preferential treatment on revenge motivation was statistically significant when there was no rule knowledge (t = 4.28, p < .01), whereas the slope was not statistically significant with presence of rule knowledge (t = -0.29, p > .05).

Figure 5-1. The Interactive Effect of Envy and Knowledge on Revenge Motivation



The results of two-way ANOVA with envy as the dependent variable revealed that preferential treatment had a significant and positive effect on envy (F(1, 296) = 17.85, p < .01). The main effect of rule knowledge and the interactive effect were not statistically significant (F < 1). I added envy as a covariate to the original model with self-enhancement motivation and revenge motivation as dependent variables. The results suggested that the effect of the covariate on self-enhancement motivation (F(1, 295) = 42.61, p <.01) and

revenge motivation ($F(1, 295) = 5.15$, $p < .05$) was significant, that the main effect of preferential treatment on self-enhancement dropped from ($F(1, 296) = 8.64$, $p < .01$) to ($F(1, 295) = 2.24$, $p = .14$), and that the interactive effect of preferential treatment and rule knowledge on revenge motivation was changed from ($F(1, 296) = 3.90$, $p = .05$) to ($F(1, 295) = 4.17$, $p < .05$). This finding suggested the potential mediating role of envy.

The moderated mediation effect was explored by running a Preacher and Hayes (2008) PROCESS Macro using SPSS 22. I utilized Model 14 to test the role of envy in mediating the relationship between preferential treatment and revenge motivation/self-enhancement motivation and the role of rule knowledge in moderating the effect of envy on the two types of motivation. Using 5,000 bootstrapped samples with 95% confidence intervals, the results revealed that the proposed mediation effects were found while the proposed moderating effects were not found. The PROCESS results are reported in Tables 5-6 and 5-7. The findings above provided the information needed to examine the Hypothesis 1through Hypothesis 4.

Hypothesis 1. This hypothesis specified that witnessing the preferential treatment provided to other customers can lead a focal customer to experience the emotion of envy. According to the results from ANOVA ($F(1, 296) = 17.85$, $p < .01$) and PROCESS Model 14 ($\beta = 0.71$, $p < 0.01$), preferential treatment exerted a positive effect on envy regardless of the condition of rule knowledge. Therefore, this hypothesis was supported.

Hypothesis 2. The second hypothesis indicated that a feeling of envy toward customers treated preferentially had a positive effect on revenge motivation. The PROCESS results suggested that the effect of envy on revenge motivation was positive and significant ($\beta = 0.26$, $p < 0.01$). Thus, I found support for Hypothesis 2.

Table 5-6. Study 1 Moderated Mediation Effect on Revenge Motivation

Equation	*Unstandardized Coefficient*	*t-value*	*p-value*	*LLCI*	*ULCI*
Mediator variable model (Envy)					
Intercept	1.11	3.30	0.00	0.4505	1.7773
Preferential Treatment	0.71	4.28	0.00	0.3829	1.0343
Similarity	-0.05	-0.70	0.49	-0.1914	0.0915
Social Comparison	0.46	6.27	0.00	0.3155	0.6044
Fairness	0.23	5.20	0.00	0.1432	0.3177
Dependent variable model (Revenge Motivation)					
Intercept	1.25	2.81	0.01	0.3730	2.1217
Envy	0.26	3.10	0.00	0.0953	0.4271
Preferential Treatment	0.27	1.40	0.16	-0.1082	0.6422
Rule Knowledge	-0.34	-0.69	0.49	-1.2915	0.6210
Envy*Knowledge	0.03	0.24	0.81	-0.1888	0.2416
Similarity	-0.04	-0.46	0.65	-0.1957	0.1217
Social Comparison	0.13	1.53	0.13	-0.0385	0.3072
Fairness	0.41	8.73	0.00	0.3165	0.5008

Ethical Leadership

Conditional indirect effect of rule knowledge on enhancement motivation	*Effect*	*SE*	*Boot LLCI*	*Boot ULCI*
No Rule Knowledge	0.2239	0.1045	0.0627	0.4750
Knowledge	0.2466	0.0826	0.1097	0.4429

Note. N = 303. 95% Confidence Interval. Bootstrap sample size = 5,000.
Boot LLCI = bootstrap lower-limit confidence interval; Boot ULCI = bootstrap upper-limit confidence interval.
* $p \leq .05$ level, ** $p \leq .01$ level.

Hypothesis 3. The third hypothesis predicted that envy toward preferentially treated others exerted a positive effect on self-enhancement motivation. Based on the findings from PROCESS Model 14, I found that envy had a positive influence on self-enhancement motivation ($\beta = 0.41$, $p < 0.01$). Thus, support was found for Hypothesis 3.

Hypothesis 4. This hypothesis specified that with the presence of rule knowledge, the influence of envy on revenge motivation is likely to be weakened (H4a), whereas the influence of envy on self-enhancement motivation is likely to be strengthened (H4b). The PROCESS results showed that the interactive effects of envy and rule knowledge on revenge motivation and self-enhancement motivation were not statistically significant ($\beta = 0.03$,

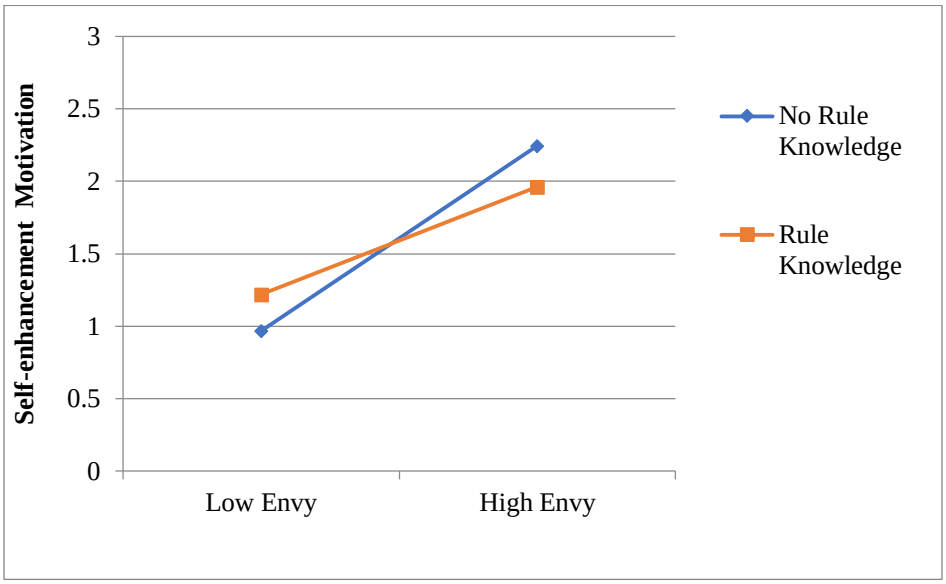
p =.81). Meanwhile, the interactive effect on self-enhancement motivation was marginally significant (β = –0.16, p = .06). To gain a better understanding of the marginally significant interactive effect of envy and rule knowledge on self-enhancement motivation, I employed simple slope analysis (Aiken & West, 1991) and plotted this interactive effect. As displayed in Figure 5-2, the results indicated that the direction of the moderating effect was opposite to the hypothesized moderating relationship. Taken together, the findings from the hierarchical regression and simple slope analysis suggested that the hypothesized two-way interaction was rejected.

Table 5-7. Study 1 Moderated Mediation Effect on Self-Enhancement Motivation

Equation	*Unstandardized Coefficient*	*t-value*	*p-value*	*LLCI*	*ULCI*
Mediator variable model (Envy)					
Intercept	1.11	3.30**	0.00	0.4505	1.7773
Preferential Treatment	0.71	4.28**	0.00	0.3829	1.0343
Similarity	-0.05	-0.70	0.49	-0.1914	0.0915
Social Comparison	0.46	6.27**	0.00	0.3155	0.6044
Fairness	0.23	5.20**	0.00	0.1432	0.3177
Dependent variable model (Self-Enhancement Motivation)					
Intercept	0.39	1.12	0.26	-0.2958	1.0754
Envy	0.41	6.12	0.00	0.2759	0.5373
Preferential Treatment	0.21	1.43	0.15	-0.0783	0.4967
Rule Knowledge	0.69	1.85	0.07	-0.0438	1.4151
Envy*Knowledge	-0.16	-1.87	0.06	-0.3204	0.0083
Similarity	-0.01	-0.23	0.82	-0.1351	0.1071
Social Comparison	0.54	7.98	0.00	0.4026	0.6664
Fairness	-0.06	-1.53	0.13	-0.1400	0.0174
Conditional indirect effect of rule knowledge on enhancement motivation		*Effect*	*SE*	*Boot LLCI*	*Boot ULCI*
No Rule Knowledge		0.2881	0.0846	0.1459	0.4839
Knowledge		0.1776	0.0639	0.0739	0.3319

Note. N = 303. 95% Confidence Interval. Bootstrap sample size = 5,000.
Boot LLCI = bootstrap lower-limit confidence interval; Boot ULCI = bootstrap upper-limit confidence interval.
* $p \leq .05$ level, ** $p \leq .01$ level.

Figure 5-2. The Interactive Effect of Envy and Knowledge on Self-Enhancement Motivation



In addition, I examined the influence of revenge motivation and self-enhancement motivation on negative WOM and loyalty program participation with simple regression. The regression results are shown in Tables 5-8 and 5-9. Based on these results, I tested the Hypothesis 6 and Hypothesis 7.

Table 5-8. Study 1 Effect of Motivation on Negative WOM

Equation	*Unstandardized Coefficient*	*SE*	*t-value*	*p-value*
Mediator variable model (Negative WOM)				
Intercept	1.45	0.32	4.60	0.00
Revenge Motivation	0.30	0.05	5.70	0.00
Enhancement Motivation	-0.09	0.06	-1.52	0.13
Similarity	-0.03	0.07	-0.52	0.60
Social Comparison	-0.07	0.08	-0.89	0.38
Fairness Perception	0.56	0.05	11.98	0.00

Note. $N = 303$. * $p \leq .05$ level, ** $p \leq .01$ level.

Table 5-9. Study 1 Effect of Motivation on Participation

Equation	*Unstandardized Coefficient*	*SE*	*t-value*	*p-value*
Dependent variable (Program Participation)				
Intercept	2.67	0.34	7.93	0.00
Revenge Motivation	-0.10	0.06	-1.69	0.09
Enhancement Motivation	0.29	0.06	4.65	0.00
Similarity	0.16	0.07	2.31	0.02
Social Comparison	0.29	0.08	3.42	0.00
Fairness Perception	-0.35	0.05	-6.93	0.00

Note. $N = 303$. * $p \leq .05$ level, ** $p \leq .01$ level.

Hypothesis 6. This hypothesis dealt with the effect of revenge motivation on negative WOM intention. Consistent with the proposed relationships, the regression results showed that revenge motivation had a statistically significant and positive effect on negative WOM ($\beta = 0.30$, $p < 0.01$) and that self-enhancement motivation did not have a significant effect on negative WOM ($\beta = -0.09$, $p = 0.13$) in the presence of rule knowledge. The finding provided support for Hypothesis 6.

Hypothesis 7. In this hypothesis, I explained the positive relationship between self-enhancement motivation and loyalty program participation. As expected, the regression results indicated that the effect of self-enhancement motivation on loyalty program participation was significant and positive ($\beta = 0.29$, $p < 0.01$), whereas the negative effect of revenge motivation of program participation was marginally significant ($\beta = -0.10$, $p = 0.09$). In sum, Hypothesis 7 was supported when participants knew the rules associated with preferential treatment.

5.2.5 Study 1 Discussion

Study 1 employed a 2 (preferential treatment: yes versus no) × 2 (rule knowledge: yes versus no) between-subjects experimental design to demonstrate the effect of witnessing

preferential treatment on participants' responses. Specifically, I found that preferential treatment indirectly affected (a) negative WOM through envy and revenge motivation and (b) loyalty program participation through envy and self-enhancement motivation. These two double-mediation paths were supported when participants had rule knowledge.

This study has a few limitations. First, preferential treatment and rule knowledge were captured with yes/no-binary manipulated conditions, so I was unable to examine how the degree of preferential treatment and rule knowledge exerts different influence on participants' responses. Second, I failed to find support for the proposed moderating effect of rule knowledge. One explanation might be that the effects of envy on self-enhancement/ revenge motivation vary based on the degree to which participants know the preferential treatment rules rather than whether participants know the rule. Third, using video manipulation to present a scenario may raise concerns about realism and external validity. To alleviate these concerns, I used a different method (a survey method) in Study 2 to measure preferential treatment and rule knowledge as continuous variables and adopted the critical incident technique to address realism and external validity issues.

5.3 Study 2

As mentioned previously, Study 2 is a survey study that measures all the proposed variables to examine the research model as a whole.

5.3.1 Study 2 Respondent Screening and Sample Characteristics

In this study, I collected the data by recruiting hotel customers to participate in the study and complete the survey. The contact list of hotel customers was acquired via Ipsos.

Participants were required to not only answer the measurement items but also provide some information about themselves. To ensure that participants had experience witnessing preferential treatment in a hotel context, I included a screening question: "Thinking about your recent hotel experience(s) in the last 12 months, did you ever experience a situation in which you noticed other customers were receiving preferential treatment that resulted in their service being better than yours?" If customers answered "yes," they were allowed to proceed and participate in the study. A total of 529 responses were received.

Table 5-10. Sample Characteristics Breakdown by Age

Breakdown	Frequency	Percentage
18-24	64	12
25-34	191	36
35-44	167	32
45-54	65	12
55-64	34	6
65 or older	8	2

Table 5-11. Sample Characteristics Breakdown by Hotel Stays Per Year

Breakdown	Frequency	Percentage
Fewer than 5 nights	14	3
6-10 nights	64	12
11-15 nights	81	15
16-20 nights	79	15
21-25 nights	84	16
26-30 nights	60	11
More than 30 nights	147	28

To assess the characteristics of participants, I included questions on membership status in different hotel rewards programs, the average number of nights they stayed in hotels/motels/ inns per year over the last five years, and the background information of gender and age. These questions were employed to control the sample quality. With respect to the background information, 58% of participants were females and 68 % of participants were

between 25 and 44 years old. In response to the question, “Over the last 5 years, how many nights per year have you stayed overnight in hotels/motels/inns?” more than 82% of participants indicated that they stayed more than 10 nights in hotels/motels/inns each year over the past 5 years. Additionally, 14% of participants indicated they had never participated in a hotel loyalty program, and 40% of participants indicated they currently do not have elite member status. The details of these sample characteristics are presented in Tables 5-10, 5-11, 5-12 and 5-13.

Table 5-12. Sample Characteristics Breakdown by Program Participation

Breakdown	Frequency	Percentage
Starwood Preferred Guest	86	16
Wyndham Rewards	106	20
Hyatt Gold Passport	104	20
La Quinta Returns	61	12
Choice Privileges	73	13
Club Carlson	15	3
Marriott Rewards	272	54
Best Western Rewards	131	25
Hilton HHonors	257	49
Intercontinental Hotels Group (IHG)	78	15
Le Club Accorhotels	5	1
Other (Harrah's, Extended Stay America, Omni, Hotels.com, Total rewards, MGM resorts)	18	3
None	73	14

Table 5-13. Sample Characteristics Breakdown by Elite Status

Breakdown	Frequency	Percentage
Starwood Preferred Guest	30	6
Wyndham Rewards	28	5
Hyatt Gold Passport	29	6
La Quinta Returns	9	2
Choice Privileges	14	3
Club Carlson	3	1
Marriott Rewards	105	20
Best Western Rewards	35	7
Hilton HHonors	90	17
Intercontinental Hotels Group (IHG)	19	4
Le Club Accorhotels	1	0.2
Other (Harrah's, Choice, Omni, MGM resorts)	5	1
None	209	20

5.3.2 Study 2 Data Cleaning and Measurement Quality Assessment

After examining the dataset, I did not find any missing values. All the cases were kept for further analysis. Next, I performed an outlier analysis to examine whether there were any observations extremely different from the values of other observations. I first analyzed box and whisker plots using SPSS 22 to look for potential outliers. The 1.5 interquartile range rule multipliers used by SPSS to draw the box and whisker plots have been considered too stringent such that 50% of the time the identified value is not an outlier (Hoaglin & Iglewicz, 1987). Therefore, I further estimated the studentized residuals for all the variables. Using plus and minus three standard deviations as the cut-off point to detect outliers, seven cases (i.e., 37, 44, 83, 155, 196, 203, 449) were found to have extreme values. To understand the influence of these potential outliers, I examined the hypothesized relationships both with and without the potential problematic cases. After comparing the results of the original data and the data without the outliers, I found no change in terms of the result patterns even though the estimates were slightly different. Because no evidence was found to prove that the outliers were influential and detrimental to the analysis, I used the original data for further analysis.

Next, I used frequency distributions and histograms to check the univariate statistics of all the variables and their corresponding items. The central tendency measures (mean, median, and mode) and the distribution of data showed nothing out of the ordinary. The values of skewness and kurtosis of each item were between +/- 2, so they were considered acceptable evidence of normal univariate distribution (George & Mallery, 2010).

To assess the measurement quality, I estimated the reliability and validity of each variable of interest and conducted a confirmatory factor analysis. First, I calculated

Cronbach's (coefficient) alpha to examine the internal reliability of each construct. Because all the constructs in this study had alpha values greater than 0.7, the reliability of the measurement scale of each construct was shown to be satisfactory. The values of composite reliability of all variables and the confirmatory factor analysis results of the measurement model are reported in Table 5-14.

Next, I ran a confirmatory factor analysis using Mplus Version 7 to further examine the expected factor structure of the latent variables (i.e., preferential treatment, envy, self-

Table 5-14. Full Measurement Model

Construct	Standardized Loading	Composite Reliability (CR)	Average Variance Extract (AVE)
Preferential Treatment (PT)		0.88	0.55
PT1	0.82 **		
PT2	0.78**		
PT3	0.62**		
PT4	0.81**		
PT5	0.62**		
PT6	0.79**		
Envy		0.90	0.70
Envy 1	0.91**		
Envy 2	0.87**		
Envy 3	0.88**		
Envy 4	0.66**		
Self-enhancement Motivation (EN)		0.79	0.50
EN 1	0.74**		
EN 2	0.53**		
EN 3	0.77**		
EN 4	0.75**		
Revenge Motivation (REV)		0.92	0.71
REV 1	0.83**		
REV 2	0.88**		
REV 3	0.84**		
REV 4	0.86**		
REV 5	0.80**		
Program Participation (PART)		0.94	0.78
PART 1	0.89**		
PART 2	0.89**		
PART 3	0.92**		
PART 4	0.85**		
Negative Word-Of-Mouth (NWOM)		0.93	0.81
NWOM 1	0.92**		
NWOM 2	0.87**		
NWOM 3	0.91**		
Attitudinal Loyalty (ATTL)		0.91	0.66
ATTL 1	0.77**		

Construct	Standardized Loading	Composite Reliability (CR)	Average Variance Extract (AVE)
ATTL 2	0.82**		
ATTL 3	0.85**		
ATTL 4	0.84**		
ATTL 5	0.80**		
Rule Knowledge (RK)		0.90	0.69
RK 1	0.86**		
RK 2	0.85**		
RK 3	0.88**		
RK 4	0.72**		
Monetary Benefits (MB)		0.85	0.65
MB 1	0.75**		
MB 2	0.86**		
MB 3	0.80**		
Fairness Perception (FAIR)		0.94	0.77
FAIR 1	0.87**		
FAIR 2	0.90**		
FAIR 3	0.90**		
FAIR 4	0.87**		
Rule Appropriateness (APPRO)		0.85	0.65
APPRO 1	0.75**		
APPRO 2	0.81**		
APPRO 3	0.86**		
Perceived Similarity (SIM)		0.92	0.85
SIM 1	0.89**		
SIM 2	0.95**		
Social Comparison (SC)		0.86	0.67
SC 1	0.86**		
SC 2	0.73**		
SC 3	0.85**		
Reward Attainability (ATAN)		0.84	0.64
ATAN 1	0.77**		
ATAN 2	0.68**		
ATAN 3	0.93**		

** All values significant at .01 level.
Model Fit: $\chi 2 = 2718.648$; df = 1234; p = 0.00; CFI = 0.93; RMSEA = 0.048; SRMR = 0.056
indicator items for a construct. In line with Cronbach's alpha, the composite reliability score

enhancement motivation, revenge motivation, participation, negative WOM, rule knowledge, attitude loyalty, rule appropriateness, monetary benefits, fairness, social comparison state, similarity with the participants, and reward attainability). The measurement model was shown to have a satisfactory fit to the data ($\chi^2 = 2718.648$, $df = 1234$, $p \leq .0001$; RMSEA = .048; CFI = .97; Bollen & Long, 1993), and the loadings of indicators on the corresponding constructs were all statistically significant ($p \leq .05$).

Using the standardized loadings obtained from confirmatory factor analysis, I estimated the composite reliability of each construct and found that all of the constructs met the benchmark criteria of greater than 0.7 and demonstrated decent reliability. Additionally, I measured the extent to which the total variance in all indicators was accounted for by the corresponding constructs to estimate AVE, which is commonly used to examine convergent validity (Fornell & Larcker, 1981). Because all the constructs had values of AVE greater than the benchmark criteria of 0.5, convergent validity was established.

The next step was to assess discriminant validity. To obtain adequate discriminant validity at the construct level, the squared inter-factor correlation between two factors needed to be smaller than the AVE for each of the two factors. At the item level, all items needed to correlate with their corresponding factors more than other factors to demonstrate the discriminant validity of items. The results suggested that discriminant validity at both the construct and item levels was obtained.

5.3.3. Study 2 Potential Measurement Issue

Given that the data of this study were collected from the same source, one potential concern of measurement was common method variance. The issue of common method variance is likely to occur when data collection involves common raters and perceptual measures (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). To test whether common method variance was a concern in this data, I used Harman's (1967) one-factor test. I first conducted a factor analysis to examine all the indicators of the variables of interest (including the items of eight study variables and six control variables). With the presence of common method variance, the number of factors resulting from the factor analysis will be significantly lower than the number of constructs suggested by the theoretical model (Harman, 1967;

Podsakoff & Organ, 1986). The results of the factor analysis indicated a 13-factor solution that accounted for 77% of the total variance. The number of factors was not significantly lower than the number of variables of interest (i.e., 14 factors, including eight study variables and six control variables). Additionally, if common method variance is a problem, one factor would account for most of the variance. However, the results of factor analysis suggested that no single factor explained the majority of the variance, such that the largest factor accounted for only 21% of the variance. Taken together, the findings of factor analysis showed that the relationships found in this data were not significantly biased by common method bias.

5.3.4 Study 2 Summated Scale Descriptive

Given that the previous section demonstrated the reliability and validity of measurement items, I created composite scores for each construct. This dissertation uses only reflective scales, so the composite scores were calculated by summing the corresponding items of each construct and dividing the summated score by the number of corresponding items. The summated scales were used in hypothesis testing. The correlation matrix for each of the constructs of interest is displayed in Table 5-15. In the matrix, Cronbach's alpha is shown in the diagonal. The means and standard deviations for each study variable and control variables are also included in the table. The correlation table suggested that all control variables (monetary benefits perception, fairness perception, similarity, rule appropriateness, reward attainability, and social comparison state) were correlated with at least one study variable. None of the control variables interacted with the envy to affect self-enhancement motivation (Envy_MB: $\beta = 0.02$, $p = .34$; Envy_Attainability: $\beta = 0.03$, $p = .13$; Envy_Similarity: $\beta = -0.01$, $p = .55$; Envy_SocialComparison: $\beta = -0.02$, $p = .28$; Envy_Fairness: $\beta = -0.02$, $p = .21$);

Table 5-15. Study 2 Descriptive Statistics, Variable Inter-Correlations and Reliability

Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Preferential Treatment	5.04	1.36	0.88													
2. Envy	4.95	1.54	0.58**	0.90												
3. Enhancement Motivation	3.86	1.42	0.25**	0.46**	0.78											
4. Revenge Motivation	2.13	1.47	0.24**	0.23**	0.38**	0.92										
5. Participation	3.63	1.80	0.05	0.14**	0.48**	0.17**	0.94									
6. NWOM	3.37	2.00	0.45**	0.39**	0.15**	0.51**	-0.08	0.93								
7. Attitudinal loyalty	4.92	1.36	0.08	0.15**	0.16**	0.03	0.32**	0.01	0.91							
8. Rule Knowledge	4.20	1.64	-0.01	0.04	0.21**	0.22**	0.35**	0.10*	0.38**	0.89						
9. Monetary benefits	4.69	1.43	0.08	0.14**	0.22**	0.08	0.27**	-0.01	0.25**	0.22**	0.84					
10. Fair	3.59	1.74	0.38**	0.34**	0.22**	0.41**	0.04	0.59**	0.06	0.02	0.03	0.94				
11. Rule appropriateness	4.18	1.46	-0.16**	-0.09*	0.14**	-0.03	0.32**	-0.37**	0.15**	0.27**	0.20**	-0.45**	0.85			
12. Social comparison	4.47	1.45	0.29**	0.41**	0.43**	0.24**	0.27**	0.35**	0.28**	0.22**	0.21**	0.38**	0.02	0.85		
13 Reward attainability	4.50	1.49	-0.06	0.06	0.27**	0.07	0.33**	-0.06	0.26**	0.23**	0.25**	-0.02	0.29**	0.32**	0.83	
14. Similarity	4.40	1.64	0.10*	0.18**	0.33**	0.12**	0.31**	0.10*	0.18**	0.18**	0.20**	0.18**	0.17**	0.43**	0.36**	0.92

*Correlation is significant at $p \leq .05$ (two-tailed test).

**Correlation is significant at $p \leq .01$ (two-tailed test).

and revenge motivation (Envy_MB: β = 0.04, *p* =.15; Envy_Attainability: β = 0.03, *p* =.30; Envy_Similarity: β = -0.01, *p* =.65; Envy_ SocialComparison: β = 0.00, *p* =.99; Envy_Fairness: β = 0.004, *p* =.85), except for the rule appropriateness. The interactive effect of rule appropriateness and envy on self-enhancement motivation was statistically significant (ß = 0.05, *p* <.05) and the effect on revenge motivation was not significant (β = 0.04, *p* >.05). In turn, all the control variables except rule appropriateness were the analysis for hypothesis testing.

5.3.5. Study 2 Hypothesis Testing

This section discusses the method used to test the hypotheses in this study as well as the findings from the hypothesis testing. Before examining the hypotheses, I identified the hotel in which participants experienced preferential treatment and investigated the potential concern for interdependence due to customers nested within hotel brands by checking the intraclass correlation (ICC; Bliese, 2000; James, 1982). The ICC values for each variable of interest were as follows: preferential treatment = 0.002, envy = 0.027, self-enhancement motivation < 0.001, revenge motivation = 0.010, participation = 0.034, negative word-of-mouth < 0.001, rule knowledge < 0.001, attitudinal loyalty = 0.050, fairness < 0.001, monetary benefit perception = 0.004, rule appropriateness < 0.001, similarity = 0.029, social comparison = 0.010, and reward attainability = 0.011. Overall, the ICC results from this study indicated the observed relationships in this data were not nested within hotel brands. This conclusion is in line with the finding from design effect assessment such that the greatest value of design effect was only 1.80. In general, if the design effects are less than 2, the nesting structure does not need to be included for model estimation purposes

(Raudenbush & Bryk, 2002). Therefore, the hotel-brand level effect was not included for the analysis in the further stage.

I tested the hypotheses with SEM using Mplus 7 to estimate the proposed relationships simultaneously. First, I examined the indirect structural paths by running a main-effect model, and I ran a second model with path analysis by adding interaction effects. All control variables (fairness perception, state social comparison, similarity, reward attainability, rule appropriateness, and monetary benefits) were included during the analysis because these variables were found to significantly correlate with at least one study variable.

In the first main-effect model, the results suggested that the structural model had a decent fit to the data (χ^2 = 2200, *df* = 748, $p < .01$; RMSEA = .06; CFI = .91). Overall, the model accounted for 40% of the variance in envy, 36% of the variance in self-enhancement motivation, 24% of the variance in revenge motivation, 32% of the variance in loyalty program participation, and 31% of the variance in negative WOM. All the proposed main effects were found to be statistically significant at the 0.05 level with the direction specified in the hypotheses. Preferential treatment exerted a statistically significant and positive effect on envy, whereas the positive effect of envy on both self-enhancement motivation and revenge motivation was statistically significant. The positive effect of revenge motivation on negative WOM and the positive effect of self-enhancement motivation on loyalty program participation were supported. Additionally, I examined the total indirect path with 5,000-sample bootstrapping. The indirect path from preferential treatment to participation via envy and enhancement motivation was statistically significant ($\beta = .16$, $p < .01$, LLCI = 0.11, ULCI = 0.22). The hypothesized indirect effect of preferential treatment on negative WOM via envy and revenge motivation was also significant ($\beta = .05$, $p = .05$, LLCI = 0.002,

ULCI = 0.102). The results of the main-effect model are reported in Table 5-16. The findings from this main-effect model provided the information needed to test the hypotheses regarding the indirect main effects (H1, H2, H3, H6, and H7).

Hypothesis 1. The first hypothesis explored the relationship between the witnessed preferential treatment and the emotional reaction of envy. Specifically, I hypothesized that watching other customers receive preferential treatment can lead a focal customer to experience the emotion of envy. Based on the results from the SEM, I found support for this hypothesis ($\beta = 0.77$, $p < 0.01$).

Hypotheses 2 and 3. The second and third hypotheses dealt with the effect of envy on the motivation of customers. The conceptual model suggested that envy toward a preferentially treated customer exerts a positive effect on the revenge motivation (H2) and self-enhancement motivation (H3) of witnessing customers. Consistent with these hypotheses, the results indicated that the influence of envy on revenge motivation ($\beta = 0.08$, $p = 0.05$) and self-enhancement motivation ($\beta = 0.28$, $p < 0.01$) was statistically significant.

Hypothesis 6. The conceptual model indicates that revenge motivation is likely to lead a customer to respond with the intention of spreading negative WOM. As expected, I found support for this hypothesis. Revenge motivation had a positive and significant effect on negative WOM ($\beta = 0.73$, $p < 0.01$).

Hypothesis 7. The last hypothesis predicts a positive relationship between self-enhancement motivation and loyalty program participation. Specifically, self-enhancement motivation is proposed to drive a customer to participate in a loyalty reward program to earn preferential treatment for him or herself. This finding provided support for this hypothesis

Table 5-16. SEM Results for the Main Effect Model

	Unstandardized Coefficient	*t-value*	*p-value*	*Hypothesis*
Direct effect				
Dependent Variable: Envy				
Preferential Treatment	0.77	12.71	0.00	H1
Dependent Variable: Revenge Motivation				
Envy	0.08	2.01	0.05	H2
Monetary Benefits	0.06	1.03	0.73	
Fairness	0.40	7.68	0.00	
Similarity	-0.02	-0.38	0.29	
Social Comparison	0.01	0.25	0.87	
Reward Attainability	0.07	0.26	0.79	
Dependent Variable: Self-enhancement Motivation				
Envy	0.28	6.05	0.00	H3
Monetary Benefits	0.13	2.26	0.02	
Fairness	0.01	-0.18	0.86	
Similarity	0.14	2.73	0.01	
Social Comparison	0.14	2.01	0.04	
Reward Attainability	0.20	3.39	0.00	
Dependent Variable: Negative Word-of-mouth				
Revenge Motivation	0.73	14.23	0.00	H6
Dependent Variable: Participation				
Self-enhancement Motivation	0.75	9.45	0.00	H7
Indirect effect				
Preferential Treatment => Envy => Self-enhancement Motivation => Program Participation	0.13	5.81	0.00	
Preferential Treatment => Envy => Revenge Motivation => Negative WOM	0.04	1.95	0.05	

such that self-enhancement motivation exerted a significant and positive effect on loyalty program participation ($\beta = 0.75$, $p < 0.01$).

In addition, the fourth and fifth hypotheses dealt with moderating effects. Specifically, Hypothesis 4 predicted that as rule knowledge increases, the positive influence of envy on revenge motivation is weakened and the positive influence of envy on self-enhancement motivation is strengthened. Meanwhile, Hypothesis 5 stated that as attitudinal loyalty increases, the positive effect of envy on revenge motivation is strengthened, whereas the positive effect of envy on self-enhancement motivation is weakened. To examine these hypotheses, I conducted a hierarchical regression analysis to treat preferential treatment and control variables (monetary benefits, fairness perception, rule appropriateness, similarity,

social comparison, and reward attainability) in step 1, independent variables in step 2, and two-way interaction terms in step 3.

Table 5-17. Hierarchical Regression Results of Rule Knowledge Moderation Testing

Equation	Revenge Motivation			Self-Enhancement Motivation		
Step1: Control Variables						
Preferential treatment	0.10*	0.08	0.08	0.15**	-0.03	-0.03
Monetary benefits	0.05	0.01	0.01	0.10*	0.07	0.07
Fairness perception	0.31**	0.31**	0.30**	0.03	0.02	0.01
Social comparison	0.05	-0.00	0.01	0.25**	0.16**	0.16**
Reward attainability	0.05	0.03	0.03	0.12**	0.11**	0.11**
Similarity	-0.00	-0.01	-0.01	0.12**	0.11**	0.10**
Step 2 : Independent Variables						
Envy		0.05	0.05		0.33**	0.33**
Rule Knowledge		0.18**	0.18**		0.08*	0.08*
Step 3: Two-Way Interaction						
Envy*Rule Knowledge			0.03			0.03
Total R^2	0.189	0.228	0.231	0.258	0.344	0.346
Δ R^2 at last step	0.189**	0.038**	0.003	0.258**	0.086**	0.002

* $p \leq .05$ (two-tailed test).
** $p \leq .01$ (two-tailed test).

Table 5-18. Hierarchical Regression Results of Attitudinal Loyalty Moderation Testing

Equation	Revenge Motivation			Self-Enhancement Motivation		
Step1: Control Variables						
Preferential treatment	0.10*	0.08	0.08	0.15**	-0.03	-0.03
Monetary benefits	0.05	0.05	0.03	0.10*	0.09*	0.08*
Fairness perception	0.31**	0.30**	0.30**	0.03	0.01	0.01
Social comparison	0.05	0.05	0.05	0.25**	0.18**	0.18**
Reward attainability	0.05	0.06	0.06	0.12**	0.12**	0.12**
Similarity	-0.00	-0.00	-0.00	0.12**	0.11**	0.11**
Step 2 : Independent Variables						
Envy		0.04	0.04		0.33**	0.33**
Attitudinal Loyalty		-0.04	-0.04		-0.03	-0.03
Step 3: Two-Way Interaction						
Envy*Loyalty			0.00			0.02
Total R^2	0.189	0.192	0.192	0.258	0.336	0.337
Δ R^2 at last step	0.189**	0.002	0.000	0.258**	0.078**	0.001

* $p \leq .05$ (two-tailed test).
** $p \leq .01$ (two-tailed test).

Before creating the interaction terms, I mean-centered the independent variables (envy, rule knowledge, and attitudinal loyalty) to avoid the issue of multicollinearity. Then I

multiplied the mean-centered envy score with the mean-centered rule knowledge score and the mean-centered attitudinal loyalty score to create the cross-product terms of Envy_Knowledge and Envy_Attitudinal loyalty. The results of the hierarchical regression showed that the interactive effects of envy and knowledge on revenge motivation ($\beta = 0.03$, $p = .14$) and self-enhancement motivation ($\beta = 0.03$, $p = .20$) were not statistically significant. Additionally, attitudinal loyalty did not moderate the effect of envy on self-enhancement motivation ($\beta = 0.02$, $p = .41$) or revenge motivation ($\beta = 0.004$, $p = .87$). The moderated regression results are shown in Tables 5-17 and 5-18.

Hypothesis 4. The fourth hypothesis explored the moderating effects of rule knowledge. Rule knowledge is proposed to weaken the effect of envy on revenge motivation (H4a) and strengthen the effect of envy on self-enhancement motivation (H4b). However, the results from hierarchical regression indicated that H4a and H4b were not supported.

Hypothesis 5. The moderating effect of attitudinal loyalty was explored by Hypothesis 5. I expected attitudinal loyalty to strengthen the positive effect of envy on revenge motivation (H5a) and weaken the positive effect of envy on self-enhancement motivation (H5b). According to the findings from the moderation testing, I did not find support for H5a and H5b. A moderating role of attitudinal loyalty was not found.

5.3.6 Study 2 Discussion and Follow-up Analysis

This study demonstrates that watching other customers receive preferential treatment indirectly leads a focal customer to participate in a loyalty program and spread negative WOM. Specifically, preferential treatment was found to have a positive effect on loyalty program participation via envy toward the preferentially treated other and self-enhancement

motivation as well as on negative WOM through envy and revenge motivation, controlling for monetary benefit perception, fairness perception, rule appropriateness, reward attainability, social comparison, and perceived similarity with social comparison others. Therefore, H1, H2, H3, H6, and H7 were supported.

According to the findings from the moderation testing, it is evident that rule knowledge and attitudinal loyalty play a very limited role in moderating the effect of envy on self-enhancement motivation and revenge motivation. No support was found for the proposed moderation of H4 and H5. One explanation for the nonsignificant effect of the rule knowledge moderator is that customers who witness preferential treatment received by other customers and know the rules associated with the preferential treatment may perceive the rules as inappropriate. In this case, their responses to envy are not affected because they know the rules associated with other customers' preferential treatment.

In other words, it might be the perceived appropriateness of preferential treatment rules that affects the degree to which participants react to envy with self-enhancement and revenge motivation. To test this possibility, I revised the model to include rule appropriateness as the moderator and to treat rule knowledge and attitudinal loyalty as controls. Then, I conducted hierarchical regression analysis and simple slope analysis to examine the moderating effect of rule appropriateness by following the same procedure used in hypothesis testing. The findings of hierarchical regression suggested that the relationship between envy and self-enhancement motivation was moderated by the perception of rule appropriateness, whereas this moderating effect was marginal for the relationship between envy and revenge motivation. The findings are reported in Table 5-19.

Table 5-19. Hierarchical Regression Results of Rule Appropriateness Moderation Testing

Equation	Revenge Motivation			Self-Enhancement Motivation		
Step1: Control Variables						
Preferential treatment	0.12*	0.09	0.08	0.16**	-0.03	-0.03
Monetary benefits	0.03	0.01	0.01	0.09*	0.06	0.05
Fairness perception	0.31**	0.36**	0.36**	0.03	0.07	0.06
Social comparison	0.03	0.01	0.02	0.24**	0.16**	0.17**
Reward attainability	0.04	0.02	0.02	0.11**	0.09*	0.10*
Similarity	-0.01	-0.03	-0.03	0.11**	0.09**	0.09**
Rule knowledge	0.21**	0.19**	0.20**	0.09*	0.08*	0.09*
Attitudinal loyalty	-0.12*	-0.12**	-0.12*	-0.05	-0.07	-0.06
Step 2 : Independent Variables						
Envy		0.06	0.05		0.34**	0.34**
Rule appropriateness		0.13**	0.12*		0.13**	0.11*
Step 3: Two-Way Interaction						
Envy* Appropriateness			0.04			0.06**
Total R^2	0.236	0.249	0.253	0.266	0.357	0.367
ΔR^2 at last step	0.236**	0.013**	0.004	0.266**	0.091**	0.010**

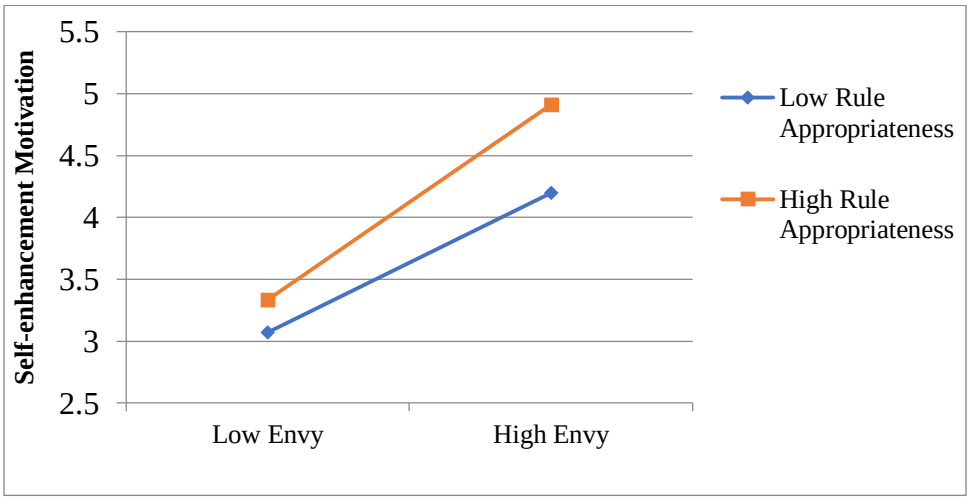
* $p \leq .05$ (two-tailed test).
** $p \leq .01$ (two-tailed test).

Because the interactive effect of envy and rule appropriateness on self-enhancement motivation was statistically significant, I further explored this interaction with simple slope analysis, which is useful for understanding the nature of the moderation (Aiken & West, 1991). The simple slope diagrams are provided in Figure 5-3. The plotted interaction provided insights into the moderating effect of rule appropriateness. More specifically, the positive effect of envy on self-enhancement motivation was strengthened when preferential treatment rules were viewed as appropriate.

There are a few limitations with Study 2. First, in this study, I used critical incident technique to ask participants to complete the survey based on a recalled incident rather than an incident that participants experienced at the moment. Second, I was unable to find the moderating effect of rule knowledge and attitudinal loyalty. Although I found the moderating effect of rule appropriateness in the follow-up analysis, additional data collection is needed to confirm the finding from the follow-up analysis. Third, this study utilized cross-sectional

data instead of longitudinal data. Additional studies are needed to address these limitations and increase the robustness of the findings.

Figure 5-3. The Effect of Envy and Appropriateness on Enhancement Motivation



5.4. Chapter Summary

In this chapter, I specifically explained the procedure taken to ensure measurement quality and to test the hypothesized relationships in both studies. First, I examined the characteristics of participants to ensure that the sample was reasonable. Then, I cleaned the data by checking outliers and univariate statistics and assessed the measurement quality by checking the reliability and validity of measurement scales based on the results from confirmatory factor analysis. After the measurement quality was confirmed, I went on to hypothesis testing. In the first study, I investigated the double-mediation effects with a Preacher and Hayes (2008) PROCESS model and tested the moderating effects with hierarchical regression and simple slope analysis. In the second study, I conducted a SEM analysis using Mplus 7 to examine the two indirect paths simultaneously and employed

hierarchical regression as well as simple slope analysis to examine the moderating effects. Based on the results of the second study, I proposed a revision to the model by treating the rule appropriateness as a moderator. In the next chapter, I discuss the findings in detail and explain the theoretical contributions and practical implications.

CHAPTER VI

DISCUSSION AND CONCLUSION

6.1 Introduction

There are five sections in this chapter. This first section provides an overview of the chapter. In the second section, I summarize the research issue and hypotheses studied in this dissertation as well as discuss the research findings obtained from the data analysis. Then, the third section outlines the relevant theoretical implications of this research. The next section provides recommendations to marketing managers for managing service encounters that involve preferential treatment practices. In the last section, I conclude by discussing the research limitations of this dissertation and potential directions for future research.

6.2. Dissertation Overview and Findings

This dissertation serves the purpose of exploring the possibility that customers can react positively to witnessed preferential treatment during service encounters because prior research (e.g., Steinhoff & Palmatier, 2014) has argued that customers tend to respond negatively when seeing any special treatment received by other customers.

This research issue is important because the prevalence of loyalty reward programs has contributed to the common practice of providing preferential treatment during service encounters. Specifically, because it is common to have some desirable customers who are not in a position to receive preferential treatment (Thompson et al., 2015) and because having unhappy customers can be detrimental to a firm (Buttle, 1998), it is critical to explore customer prioritization practices from the perspective of nonprioritized customers and examine how to encourage their positive responses.

To address this issue, I drew on the social comparison and customer prioritization literature to develop a conceptual framework (see Figure 1). Watching other customers receive preferential treatment causes a customer to experience the emotion of envy. This envy toward preferentially treated customers is antecedent to revenge motivation and self-enhancement motivation, which is a positive response of nonprioritized customers that has never been discussed in the customer prioritization literature. The relationship between envy and these two types of motivation was proposed to be moderated by the focal customer's rule knowledge and attitudinal loyalty toward the company. Specifically, as rule knowledge increases, the effect of envy on revenge motivation was proposed to be weakened, whereas the effect on self-enhancement motivation was proposed to be strengthened. Meanwhile, I hypothesized that as attitudinal loyalty increases, the effect of envy on revenge motivation is strengthened and the effect on self-enhancement motivation is weakened. Subsequently, revenge motivation and self-enhancement motivation can lead the focal customer to respond with negative WOM and loyalty program participation, respectively.

To examine the hypothesized conceptual framework, two studies with different research designs were conducted. The first study utilized a video-based experiment to test the main

effects and the moderating effect of rule knowledge. To address the limitations of the first study (measuring preferential treatment and rule knowledge as yes/no dichotomous variables and controlling for realism and external validity), I employed a critical incident survey design in the second study. Specifically, I requested participants to first recall a recent incident where they witnessed other customers receiving special service in a hotel service encounter and then fill out a survey questionnaire based on the recalled incident. The findings of these two studies are discussed below.

In Study 1, there were 303 usable responses after cleaning the data. I took appropriate steps to ensure the quality of the measurement scales. Additionally, because the control variables of fairness perception, perceived similarity, and social comparison state were correlated with the dependent variables of interest, I included these controls when examining the hypotheses. The moderated mediation hypotheses were tested using the Preacher and Hayes (2008) PROCESS Model 14. Consistent with the hypothesized relationships, I found support for the positive effect of preferential treatment on envy (H1) and the positive influence of envy on revenge motivation (H2) and self-enhancement motivation (H3). The moderating hypotheses suggested that rule knowledge weakens the effect of envy on revenge motivation (H4a) and strengthens the effect of envy on self-enhancement motivation (H4b). According to the PROCESS results, the effect of envy on revenge motivation was not affected by the presence of rule knowledge, whereas the effect of envy on self-enhancement motivation was not attenuated by rule knowledge. Self-enhancement motivation was shown to be positively related to loyalty program participation (H7), whereas revenge motivation was found to be positively related to participants' intention to spread negative WOM (H6).

In Study 2, I followed the same procedure as Study 1 to clean the data and check the quality of measurement constructs. A total of 529 responses were used for the data analysis. The control variables of monetary benefits perception, fairness perception, rule appropriateness, social comparison state, perceived similarity, and reward attainability were included for the hypothesis testing because these variables correlated with the dependent variables. The indirect path of preferential treatment to negative WOM and the indirect path of preferential treatment to participation were examined simultaneously by SEM using Mplus 7. Consistent with the findings from Study 1, the results suggested that both hypothesized indirect paths were found such that H1, H2, H3, H6, and H7 were supported. I then examined the moderation of rule knowledge (H4) and attitudinal loyalty (H5) using hierarchical regression. The results suggested that envy had influence on two different types of motivation regardless of the level of rule knowledge and attitudinal loyalty. Thus, I failed to find support for H4 and H5.

Across two studies, the indirect main effects were established. In line with the envy literature arguing that being aware of others' superiority reflects the relative disadvantage of a focal person and triggers the emotion of envy (Smith, 2000), I found that a customer watching other customers receiving special treatment tended to feel envious. This envious feeling led the customer to experience revenge motivation against the company practicing the preferential treatment, which drove the customer to spread negative WOM, as well as the motivation to improve his or her current position to earn special treatment, which triggered the customer's participation in loyalty programs. This finding is consistent with the findings of the upward social comparison literature that show people can respond to uncomfortable feelings toward the advantages of other people by engaging in hostile action to get even

(Smith & Kim, 2007) and/or by learning from their superior others to enhance their status (Wheeler, Martin, & Suls, 1997).

Meanwhile, the proposed moderating effects of rule knowledge and attitudinal loyalty were not found in the two studies. The moderating effect of attitudinal loyalty was tested only in the second study. I found that the influence of envy on two different types of motivation did not vary based on the different levels of attitudinal loyalty. Given that attitudinal loyalty was shown to have a negative effect on revenge motivation and a positive effect on self-enhancement motivation, one explanation can be that attitudinal loyalty directly influences revenge motivation and self-enhancement motivation regardless of the level of envy.

In terms of the moderating effect of rule knowledge, the results indicated it did not strengthen the effect of envy on self-enhancement motivation or weaken the effect of envy on revenge motivation. In the first study, double mediation paths were found when using data from participants exposed to the rule knowledge condition. Meanwhile, preferential treatment was found to encourage negative WOM via revenge motivation when using data from participants in the no rule knowledge condition. Based on these results, one possibility is that envy played a very limited role without the presence of knowledge of the preferential treatment rules. Therefore, the interactive effect of envy and rule knowledge on two different types of motivation was not found.

In the second study, rule knowledge was measured as a continuous variable to capture the extent to which participants knew the rules associated with preferential treatment. To link Study 1 with Study 2, it is possible that most participants in Study 2 had at least some sort of rule knowledge, so indirect paths with envy as the first mediator and motivation as the

second mediator were found. However, rule knowledge still did not moderate the effect of envy on revenge motivation and self-enhancement motivation. One potential explanation is that participants' reactions to envy can be affected by their perceived appropriateness of the preferential treatment rules rather than their knowledge of the preferential treatment rules, given that the control of rule appropriateness was shown to have a strong impact on two different types of motivation in the hierarchical regression analysis. To test this possibility, I conducted hierarchical regression to examine the interactive effect of envy and rule appropriateness on revenge motivation and self-enhancement motivation. The results confirmed this possibility and indicated that the effect of envy on self-enhancement motivation was strengthened as participants perceived the reward rules as appropriate, even though the effect of envy on revenge motivation was not affected. Additional data is needed to support the moderating role of rule appropriateness.

6.3. Theoretical Implications

This dissertation provides theoretical implications for the marketing literature in a few ways. First, it broadens the literature on customer prioritization by exploring the positive responses of nonprioritized customers derived from service encounters where other customers were treated preferentially by service providers. Previous research has primarily identified the positive responses of prioritized customers (Homburg et al., 2008; Lacey et al., 2007) and the negative responses of nonprioritized customers who were unable to receive special treatment (Haenlein & Kaplan, 2010; Steinhoff & Palmatier, 2014). To the best of my knowledge, this research is the first to investigate the possibility that watching special treatment provided to other customers can lead a nonprioritized customer to respond in a

favorable manner (i.e., by experiencing self-enhancement motivation and participating in loyalty reward programs).

Second, this research extends the envy literature by investigating the strategic role of envy in facilitating marketing activities. Traditionally, envy has been conceptualized as an undesirable emotion that leads to negative outcomes such as unethical behavior (Gino & Pierce, 2009) and counterproductive work behavior (Dunn & Schweitzer, 2004). Although recent literature has shed light on the positive perspective of envy (an inspiration to learn from the envy target; Van de Ven et al., 2009), little is known about when envy can lead to positive marketing outcomes. In this research, I address this issue by exploring the relational moderator of attitudinal loyalty and the rule-related moderators of rule knowledge and rule appropriateness. I found that envy toward preferentially treated customers is more likely to drive favorable marketing outcomes as the level of rule appropriateness increases.

Third, this dissertation provides insight into the social comparison literature by examining social comparisons that involve a third party contributing to status difference. The social comparison literature (e.g., Collins, 1996; Sundie, Ward, Beal, Chin, & Geiger-Oneto, 2009) has mainly focused on the comparison of abilities or performance between a focal person and a comparison other. To extend this literature, I explored the social comparison of interpersonal interaction with a third party and identified relevant factors characterizing the nature of this type of social comparison.

6.4. Practical Implications

This research provides suggestions to marketing managers interested in practicing customer prioritization. Because it is not uncommon for companies to have some desirable

customers unable to receive preferential treatment (Thompson et al., 2015), one issue vital to the management of customer prioritization practices is to motivate existing consumers to participate in loyalty programs rather than react negatively to the special treatment received by prioritized customers. This research shows that the self-enhancement motivation derived from envy toward preferentially treated customers is essential to motivating loyalty program participation. Therefore, companies need to understand that the envy emotion experienced by a nonprioritized customer is not necessarily a bad thing as long as they can turn that into self-enhancement motivation rather than revenge motivation.

To encourage self-enhancement motivation derived from envy, companies are well advised to clearly communicate the rules associated with the preferential treatment provided to prioritized customers as well as to ensure that the loyalty reward rules are perceived by the majority of customers as appropriate. For instance, a hotel can offer complimentary breakfast vouchers to prioritized customers upon check-in. Meanwhile, the hotel can ensure that nonprioritized customers understand the rules by displaying a large sign next to the check-in counter to explain the rules for earning free breakfast vouchers. Additionally, prior to practicing preferential treatment, the hotel can conduct a customer feedback survey to understand whether the reward rules are perceived by customers as appropriate. With such actions to ensure the appropriateness of reward rules and to clearly explain the rules when practicing preferential treatment, companies are likely to encourage nonprioritized customers who witness preferential treatment to experience self-enhancement motivation derived from envy and to further participate in a loyalty program to earn the same preferential treatment for themselves.

6.5. Limitations and Future Research Directions

Despite its contributions, the present research has a few limitations that need to be cautiously taken into account when generalizing the proposed model herein. The first limitation of this research is the overall generalizability of the findings. Because the proposed research model was examined in the hotel context with U.S. samples in both studies, it is possible that different patterns would be found when examining the hypothesized relationships in a different context. Therefore, to build a concrete foundation for the propositions, further research should empirically test the research model in a different context (i.e., different industries and different cultures).

The second issue is related to the moderating effect of rule appropriateness identified in the follow-up analysis. Because rule appropriateness was not the moderator originally proposed in the research model, it is necessary to interpret the results with caution. To build a solid foundation for the propositions of rule appropriateness, additional studies supporting the findings from the follow-up analysis are needed.

Third, because this research viewed loyalty rewards for preferential treatment from a general perspective and did not examine reward types and loyalty program characteristics, another objective for future research will be to investigate how hypothesized relationships change based on different types of rewards (e.g., utilitarian rewards versus hedonic rewards) and characteristics of loyalty programs (e.g., the number and size of tiers in a loyalty program). Additionally, given that the preferential treatment studied in this research is embedded in service encounters, it is likely that the relationships between customers and service providers (e.g., transactional exchange versus relational exchange) and type of service providers (e.g., technology-aided self-service kiosks versus service employees) can

lead customers to respond differently to preferential treatment encounters. Future research is recommended to consider these factors when studying service encounters involving customer prioritization practices.

Last, this research studied only the role of envy's effect on nonprioritized customers. The impact of envy on prioritized customers is still a missing piece of the puzzle. For example, it is possible that the perception of being envied by other consumers can either help a prioritized consumer enjoy preferential treatment or cause the consumer to feel uncomfortable about his or her treatment. In sum, prioritized consumers' reactions toward the perception of being envied provides an additional avenue for future research.

To conclude, this dissertation examined a prevalent marketing phenomenon — customer prioritization practices in service encounters. Based on the results of two studies, I found support for the propositions that watching preferential treatment received by others indirectly led a consumer to a) participate in a loyalty program through envy and self-enhancement motivation and b) spread negative WOM through envy and revenge motivation. The positive response of self-enhancement was found to be strengthened when the rules of preferential treatment were perceived as appropriate. Despite these limitations, the proposed research model provides implications for both theory and practice. Researchers interested in this subject are recommended to continue pursuing the issues examined in this dissertation to provide further insights into the practice of customer prioritization.

REFERENCES

Adams, J.S. (1963), "Towards an understanding of inequity," *The Journal of Abnormal and Social Psychology*, 67(5), 422.

Aggarwal, P. (2004), "The effects of brand relationship norms on consumer attitudes and behaviors," *Journal of Consumer Research*, 31(1), 87-101.

Aiken, L.S., & West, S.G. (1991), *Multiple Regression: Testing and Interpreting Interactions*. Thousand Oaks, CA: Sage.

Alexandrov, A., Lilly, B., & Babakus, E. (2013), "The effects of social-and self-motives on the intentions to share positive and negative word of mouth," *Journal of the Academy of Marketing Science*, 41(5), 531-46.

Allen, C.T., Machleit, K.A., an&d Kleine, S.S. (1992), "A comparison of attitudes and emotions as predictors of behavior at diverse levels of behavioral experience," *Journal of Consumer Research*, 18(4), 493-504.

Arndt, J. (1967), "Role of product-related conversations in the diffusion of a new product," *Journal of Marketing Research*, 4(3), 291-95.

Arora, N., Henderson, T., & Liu, Q. (2011), "Noncompensatory dyadic choices," *Marketing Science*, 30(6), 1028-47.

Ashworth, L., & McShane, L. (2012), "Why do we care what others pay? The effect of other consumers' prices on inferences of seller (dis)respect and perceptions of deservingness violation," *Journal of Retailing*, 88(1), 145-55.

Bagchi, R., & Li, X. (2011), "Illusionary progress in loyalty programs: Magnitudes, reward distances, and step-size ambiguity," *Journal of Consumer Research*, 37(5), 888-901.

Bansal, H.S., & Voyer, P.A. (2000), "Word-of-mouth processes within a services purchase decision context," *Journal of Service Research*, 3(2), 166-77.

Beatty, S.E., Mayer, M., Coleman, J.E., Reynolds, K.E., & Lee, J. (1996), "Customer-sales associate retail relationships," *Journal of Retailing*, 72(3), 223-47.

Bechwati, N.N., & Morrin, M. (2003), "Outraged consumers: Getting even at the expense of getting a good deal," *Journal of Consumer Psychology*, 13, 440–53.

Bliese, P.D. (2000). Within-group agreement, non-independence, and reliability: Implications for data aggregation and analysis. In K.J. Klein & S.W.J. Kozlowski (Eds.), *Multilevel Theory, Research, and Methods in Organizations: Foundations, Extensions, and New Directions* (pp. 348–381). San Francisco: Jossey-Bass.

Bolger, N., & Amarel, D. (2007), "Effects of social support visibility on adjustment to stress: experimental evidence,., *Journal of Personality and Social Psychology*, 92(3), 458-75.
Bollen, K.A., & Long, J.S. (1993), *Testing Structural Equation Models*. Newbury Park, CA, US Sage.
Bolton, R.N., Kannan, P.K., & Bramlett, M.D. (2000), "Implications of loyalty program membership and service experiences for customer retention and value," *Journal of the Academy of Marketing Science*, 28(1), 95-108.
Bone, P. F. (1995), "Word-of-mouth effects on short-term and long-term product judgments," *Journal of Business Research*, 32(3), 213-23.
Bougie, R., Pieters, R., & Zeelenberg, M. (2003), "Angry customers don't come back, they get back: The experience and behavioral implications of anger and dissatisfaction in services," *Journal of the Academy of Marketing Science*, 31(4), 377-93.
Bowman, D., & Narayandas, D. (2004), "Linking customer management effort to customer profitability in business markets," *Journal of Marketing Research*, 41(4), 433-47.
Brady, M.K., Voorhees, C.M., & Brusco, M.J. (2012), "Service sweethearting: Its antecedents and customer consequences," *Journal of Marketing*, 76(2), 81-98.
Business Week (2000), "Why Service Stinks" (October 23), 118-28.
Butori, R., & De Bruyn, A. (2013), "So you want to delight your customers: The perils of ignoring heterogeneity in customer evaluations of discretionary preferential treatments," *International Journal of Research in Marketing*, 30(4), 358-67.
Buttle, F.A. (1998), "Word of mouth: Understanding and managing referral marketing," *Journal of Strategic Marketing*, 6(3), 241-54.
Carrell, M.R., & Dittrich, J.E. (1978), "Equity theory: The recent literature, methodological considerations, and new directions," *Academy of Management Review*, 3(2), 202-10.
Chan, E., & Sengupta, J. (2013), "Observing flattery: A social comparison perspective," *Journal of Consumer Research*, 40(4), 740-58.
Chan, K.W., Yim, C.K., & Lam, S.S.K. (2010), "Is customer participation in value creation a double-edged sword? Evidence from professional financial services across cultures," *Journal of Marketing*, 74(3), 48-64.
Chiou, J.-S., Droge, C., & Hanvanich, S. (2002), "Does customer knowledge affect how loyalty is formed?" *Journal of Service Research*, 5(2), 113-24.
Choi, S., & Kim, S. (2013), "Effects of a reward program on inducing desirable customer behaviors: The role of purchase purpose, reward type and reward redemption timing," *International Journal of Hospitality Management*, 32, 237-44.
Churchill Jr., G.A. (1979), "A paradigm for developing better measures of marketing constructs," *Journal of Marketing Research*, 16(1), 64-73.
Cialdini, R.B., Borden, R.J., Thorne, A., Walker, M.R., Freeman, S., & Sloan, L.R. (1976), "Basking in reflected glory: Three (football) field studies," *Journal of Personality and Social Psychology*, 34(3), 366-75.
Cohen-Charash, Y. (2009), "Episodic envy," *Journal of Applied Social Psychology*, 39(9), 2128-73.
Cohen-Charash, Y., & Mueller, J.S. (2007), "Does perceived unfairness exacerbate or mitigate interpersonal counterproductive work behaviors related to envy?" *Journal of Applied Psychology*, 92(3), 666-80.
Collins, R.L. (1996), "For better or worse: The impact of upward social comparison on self-evaluations," *Psychological Bulletin*, 119(1), 51.

Collins, R.L. (2000). Among the better ones: Upward assimilation in social comparison. In J. Suls & L. Wheeler (Eds.), *Handbook of Social Comparison* (pp. 159–172). New York: Kluwer Academic/Plenum.

Danaher, P.J., Roberts, J.H., Roberts, K., & Simpson, A. (2011), "Practice prize paper, Applying a dynamic model of consumer choice to guide brand development at Jetstar Airways," *Marketing Science*, 30(4), 586-94.

Darke, P.R., & Dahl, D.W. (2003), "Fairness and discounts: The subjective value of a bargain," *Journal of Consumer Psychology*, 13(3), 328-38.

De Wulf, K., Odekerken-Schröder, G., Canniére, M.H.D., & Van Oppen, C. (2003), "What drives consumer participation to loyalty programs? A conjoint analytical approach," *Journal of Relationship Marketing*, 2(1-2), 69-83.

De Wulf, K., Odekerken-Schröder, G., & Iacobucci, D. (2001), "Investments in consumer relationships: A cross-country and cross-industry exploration," *Journal of Marketing*, 65(4), 33-50.

Dowling, G.R., & Uncles, M. (1997), "Do customer loyalty programs really work?" *Sloan Management Review*.

Drèze, X., & Nunes, J.C. (2009), "Feeling superior: The impact of loyalty program structure on consumers' perceptions of status," *Journal of Consumer Research*, 35(6), 890-905.

Duffy, M.K., Scott, K.L., Shaw, J.D., Tepper, B.J., & Aquino, K. (2012), "A social context model of envy and social undermining. *Academy of Management Journal*, 55(3), 643-66.

Duffy, M.K., & Shaw, J.D. (2000), "The Salieri syndrome consequences of envy in groups," *Small Group Research*, 31(1), 3-23.

Dunn, J., & Schweitzer, M. 2004. "Too good to be trusted? Relative performance, envy, and trust," Paper presented at the annual meeting of Academy of Management, New Orleans.

Evanschitzky, H., Ramaseshan, B., Woisetschläger, D.M., Richelsen, V., Blut, M., & Backhaus, C. (2012), "Consequences of customer loyalty to the loyalty program and to the company," *Journal of the Academy of Marketing Science*, 40(5), 625-38.

Feinberg, F.M., Krishna, A., & Zhang, Z.J. (2002), "Do we care what others get? A behaviorist approach to targeted promotions," *Journal of Marketing Research*, 39(3), 277-91.

Festinger, L. (1954), "A theory of social comparison processes," *Human Relations*, 7(2), 117-40.

Fishbach, A., & Labroo, A. A. (2007), "Be better or be merry: How mood affects self-control," *Journal of personality and social psychology*, 93(2), 158-173.

Fiske, A.P. (1992), "The four elementary forms of sociality: Framework for a unified theory of social relations," *Psychological Review*, 99(4), 689.

Fornell, C., & Larcker, D.F. (1981), "Evaluating structural equation models with unobservable variables and measurement error," *Journal of Marketing Research*, 18(1), 39-50.

Foster, G. (1972), "The anatomy of envy," *Current Anthropology*, 13, 165–202.

Fournier, S., Dobscha, S., & Mick, D.G. (1998), "The premature death of relationship marketing," *Harvard Business Review*, 76(1), 42-51.

George, D., & Mallery, M. (2010). *SPSS for Windows Step by Step: A Simple Guide and Reference*, 17.0 update (10a ed.). Boston: Pearson.

Gino, F., & Pierce, L. (2009), "Dishonesty in the name of equity," *Psychological Science*, 20, 1153–60.

Glesne, C. (2011), *Becoming Qualitative Researchers: An Introduction.* Boston, MA: Pearson Education.
Gold, B.T. (1996), "Enviousness and its relationship to maladjustment and psychopathology," *Personality and Individual Differences*, 21, 311–21.
Goodwin, C. (1996). Communality as a dimension of service relationships. *Journal of Consumer Psychology*, 5(4), 387-415.
Grégoire, Y., Tripp, T.M., & Legoux, R. (2009), "When customer love turns into lasting hate: the effects of relationship strength and time on customer revenge and avoidance," *Journal of Marketing*, 73(6), 18-32.
Gwinner, K.P., Gremler, D.D., & Bitner, M.J. (1998), "Relational benefits in services industries: The customer's perspective," *Journal of the Academy of Marketing Science*, 26(2), 101-14.
Haenlein, M., & Kaplan, A.M. (2010), "An empirical analysis of attitudinal and behavioral reactions toward the abandonment of unprofitable customer relationships," *Journal of Relationship Marketing*, 9(4), 200-28.
Harman, H.H. (1967), *Modern Factor Analysis*. Chicago: IL: University of Chicago Press.
Henderson, C M., Beck, J.T., & Palmatier, R.W. (2011), "Review of the theoretical underpinnings of loyalty programs," *Journal of Consumer Psychology*, 21(3), 256-76.
Hirshman, E., & Holbrook, M. (1982), "Hedonic consumption: Emerging concepts methods and propositions," *Journal of Marketing*; 46(3), 92-102.
Hoaglin, D.C., & Iglewicz, B. (1987). "Fine-tuning some resistant rules for outlier labeling," *Journal of the American Statistical Association*, 82(400), 1147-49.
Hoffman, J.L., & Lowitt, E.M. (2008), "A better way to design loyalty programs," *Strategy & Leadership*, 36(4), 44-7.
Homburg, C., Droll, M., & Totzek, D. (2008), "Customer prioritization: Does it pay off, and how should it be implemented?" *Journal of Marketing*, 72(5), 110-30.
Huseman, R.C., Hatfield, J.D., & Miles, E.W. (1987), "A new perspective on equity theory: The equity sensitivity construct," *Academy of Management Review*, 12(2), 222-34.
James, L.R. (1982), "Aggregation bias in estimates of perceptual agreement," *Journal of Applied Psychology*, 67, 219–29.
Johnson, C.S., & Stapel, D.A. (2007), "No pain, no gain: The conditions under which upward comparisons lead to better performance," *Journal of Personality and Social Psychology*, 92(6), 1051-1067.
Keller, K. L. (1993), "Conceptualizing, measuring, and managing customer-based brand equity," *Journal of Marketing*, 57(1) 1-22.
Kivetz, R., & Simonson, I. (2002), "Earning the right to indulge: Effort as a determinant of customer preferences toward frequency program rewards," *Journal of Marketing Research*, 39(2), 155-70.
Klesse, A.K., Goukens, C., Geyskens, K., & de Ruyter, K. (2012), "Repeated exposure to the thin ideal and implications for the self: Two weight loss program studies," *International Journal of Research in Marketing*, 29, 355-62.
Lacey, R., Suh, J., & Morgan, R.M. (2007), "Differential effects of preferential treatment levels on relational outcomes," *Journal of Service Research*, 9(3), 241-56.
Laczniak, R.N., DeCarlo, T.E., & Ramaswami, S.N. (2001), "Consumers' responses to negative word-of-mouth communication: An attribution theory perspective," *Journal of Consumer Psychology*, 11(1), 57-73.

Liddy, A. (2000), "Relationship marketing, Loyalty programs and the measurement of loyalty," *Journal of Targeting Measurement Analysis for Marketing*, 8(4), 351-62.
Lincoln, Y.S., & Guba, E.G. (1985). *Naturalistic Inquiry*. Newbury Park, CA: Sage Publications.
Mallett, R.K., Wilson, T.D., & Gilbert, D.T. (2008), "Expect the unexpected: Failure to anticipate similarities leads to an intergroup forecasting error," *Journal of Personality and Social Psychology*, 94(2), 265-77.
Mayser, S., & von Wangenheim, F. (2013), "Perceived fairness of differential customer treatment consumers' understanding of distributive justice really matters," *Journal of Service Research*, 16(1), 99-113.
McCall, M., & Voorhees, C. (2010), "The drivers of loyalty program success: An organizing framework and research agenda," *Cornell Hospitality Quarterly*, 51(1), 35-52.
Melancon, J.P., Noble, S.M., & Noble, C.H. (2011), "Managing rewards to enhance relational worth," *Journal of the Academy of Marketing Science*, 39(3), 341-62.
Melnyk, V., & van Osselaer, S.M. (2012), "Make me special: Gender differences in consumers' responses to loyalty programs," *Marketing Letters*, 23(3), 545-59.
Meyer-Waarden, L. (2007), "The effects of loyalty programs on customer lifetime duration and share of wallet," *Journal of Retailing*, 83(2), 223-36.
Mimouni-Chaabane, A., & Volle, P. (2010), "Perceived benefits of loyalty programs: Scale development and implications for relational strategies," *Journal of Business Research*, 63(1), 32-7.
Muniz, A.M., & O'Guinn, T.C. (2001), "Brand community," *Journal of Consumer Research*, 27(4), 412–32.
Neu, J. (1980), "Jealous thoughts," in R. Rorty (Ed.), *Explaining Emotions* (pp. 425–463). Berkeley CA: University of California Press.
Nunes, J.C., & Drèze, X. (2006), "Your loyalty program is betraying you," *Harvard Business Review*, 84(4), 124.
Nunnally, J. (1978). *Psychometric Theory*. New York: McGraw-Hill.
Palmatier, R. W., Dant, R. P., Grewal, D., & Evans, K. R. (2006), "Factors influencing the effectiveness of relationship marketing: a meta-analysis," *Journal of Marketing,* 70(4), 136-153.
Parrott, W.G., & Smith, R.H. (1993), "Distinguishing the experiences of envy and jealousy," *Journal of Personality and Social Psychology*, 64(6), 906.
Podsakoff, P.M., MacKenzie, S.B., Lee, J.Y., & Podsakoff, N.P. (2003), "Common method biases in behavioral research: A critical review of the literature and recommended remedies," *Journal of Applied Psychology*, 88(5), 879-903.
Podsakoff, P.M., & Organ, D.W. (1986), "Self-reports in organizational research: Problems and prospects," *Journal of Management*, 12(4), 531-44.
Preacher, K. J. & Hayes, A. F. (2008), "Asymptotic and Resampling Strategies for Assessing and Comparing Indirect Effects in Multiple Mediator Models," *Behavior Research Methods*, 40 (3), 879–91.
Preacher, K. J., Rucker, D. D., & Hayes, A. F. (2007), "Addressing moderated mediation hypotheses: Theory, methods, and prescriptions," *Multivariate Behavioral Research*, 42, 185-227.
Raudenbush, S.W., & Bryk, A.S. (2002), Hierarchical Linear Models: Applications and Data Analysis Methods (Vol. 1). Thousand Oaks CA: Sage.

Rawls, J. (1971). *A Theory of Justice*. Cambridge, MA: Harvard University Press.
Reicheld, F. (2003), "The one number you need to grow," *Harvard Business Review*, 81(12), 46-54.
Reinartz,W.J. & Kumar, V. (2000), "On the profitability of longlife customers in a noncontractual setting: An empirical investigation and implications for marketing," *Journal of Marketing*, 64(4), 17-35.
Reynolds, K.E., & Beatty, S.E. (1999), "Customer benefits and company consequences of customer-salesperson relationships in retailing," *Journal of Retailing*, 75(1), 11-32.
Richins, M.L. (1983), "Negative word-of-mouth by dissatisfied consumers: A pilot study," *Journal of Marketing*, 68-78.
Romero-Canyas, R., Downey, G., Reddy, K.S., Rodriguez, S., Cavanaugh, T.J., & Pelayo, R. (2010), "Paying to belong: When does rejection trigger ingratiation?" *Journal of Personality and Social Psychology*, 99(5), 802-23.
Roseman, I.J., & Smith, C.A. (2001), "Appraisal theory: Overview, assumptions, varieties, controversies," 3-19. New York: Oxford University Press.
Samaha, S.A., Palmatier, R.W., & Dant, R.P. (2011), "Poisoning relationships: Perceived unfairness in channels of distribution," *Journal of Marketing*, 75(3), 99-117.
Schaubroeck, J., & Lam, S.K. (2004), "Comparing lots before and after: Promotion rejectees' invidious reactions to promotees," *Organizational Behavior and Human Decision Processes*, 94, 33–47.
Schillewaert, N., & Meulemeester, P. (2005), "Comparing response distributions of offline and online data collection methods," *International Journal of Market Research*, 47(2), 163-78.
Schoeck, H. (1969), *Envy: A Theory of Social Behavior*. New York: Harcourt, Brace and World.
Seiders, K., Voss, G.B., Grewal, D., & Godfrey, A.L. (2005), "Do satisfied customers buy more? Examining moderating influences in a retailing context," *Journal of Marketing*, 69(4), 26-43.
Shugan, S.M. (2005), "Brand loyalty programs: Are they shams?" *Marketing Science*, 24(2), 185-93.
Silver, M., & Sabini, J. (1978), "The perception of envy," *Social Psychology Quarterly*, 41, 105–17.
Sinaceur, M., Van Kleef, G.A., Neale, M.A., Adam, H., & Haag, C. (2011), "Hot or cold: Is communicating anger or threats more effective in negotiation?" *Journal of Applied Psychology*, 96(5), 1018-32.
Smith, R.H. (2000). Assimilative and contrastive emotional reactions to upward and downward social comparisons. In *Handbook of Social Comparison* (pp. 173-200), New York: Springer.
Smith, A. K., Bolton, R. N., & Wagner, J. (1999), "A model of customer satisfaction with service encounters involving failure and recovery," *Journal of Marketing Research*, 36(3), 356-372.
Smith, R.H., & Kim, S.H. (2007), "Comprehending envy," *Psychological Bulletin*, 133(1), 46.
Steinhoff, L., & Palmatier, R.W. (2014), "Understanding loyalty program effectiveness: Managing target and bystander effects," *Journal of the Academy of Marketing Science*, 1-20.

Suls, J., Martin, R., & Wheeler, L. (2002), "Social comparison: Why, with whom, and with what effect?" *Current Directions in Psychological Science*, 11(5), 159-63.
Sundie, J. M., Ward, J. C., Beal, D. J., Chin, W. W., & Geiger-Oneto, S. (2009), "Schadenfreude as a consumption-related emotion: Feeling happiness about the downfall of another's product," *Journal of Consumer Psychology*, 19(3), 356-373.
Tai, K., Narayanan, J., & McAllister, D.J. (2012), "Envy as pain: Rethinking the nature of envy and its implications for employees and organizations," *Academy of Management Review*, 37(1), 107-29.
Tan, Y.W., Tai, K., & Wang, C S. (2015), "Culture and the elicitation, experience, and expression of envy," *Envy at Work and in Organizations: Research, Theory, and Applications*. Oxford, UK: Oxford University Press.
Tesser, A. (1988), "Toward a self-evaluation maintenance model of social behavior," *Advances in Experimental Social Psychology*, 21, 181-227.
Tesser, A. (1991), Emotion in social comparison and reflection processes. In J. Suls & T.A. Wills (Eds.), *Social Comparison: Contemporary Theory and Research* (pp.115-145). Hillsdale, NJ: Lawrence Erlbaum.
Thompson, S.A., Gooner, R.A., & Kim, A. (2015), "Your mileage may vary: Managing untargeted consumers' reactions to promotions," *Journal of the Academy of Marketing Science*, (43), 713-29.
Van de Ven, N., Zeelenberg, M., & Pieters, R. (2009), "Leveling up and down: The experiences of benign and malicious envy," *Emotion*, 9(3), 419.
Van de Ven, N., Zeelenberg, M., & Pieters, R. (2011a), "The envy premium in product evaluation," *Journal of Consumer Research*, 37(6), 984-98.
Van de Ven, N., Zeelenberg, M., & Pieters, R. (2011b), "Why envy outperforms admiration," *Personality and Social Psychology Bulletin*, 37(6), 784-95.
Van de Ven, N., Zeelenberg, M., & Pieters, R. (2012), "Appraisal patterns of envy and related emotions," *Motivation and Emotion*, 36(2), 195-204.
Vecchio, R.P. (1995). It's not easy being green: Jealousy and envy in the workplace. In G.R. Ferris (Ed.), *Research in Personnel and Human Resources Management* (Vol. 13, pp. 201–244). Stanford, CT: JAI Press.
Venkatesan, R., & Kumar, V. (2004), "A customer lifetime value framework for customer selection and resource allocation strategy," *Journal of Marketing*, 68(4), 106-25.
Wagner, T., Hennig-Thurau, T., & Rudolph, T. (2009), "Does customer demotion jeopardize loyalty?" *Journal of Marketing*, 73(3), 69-85.
Wangenheim, F.V. (2005), "Postswitching negative word of mouth," *Journal of Service Research*, 8(1), 67-78.
Wetzel, H.A., Hammerschmidt, M., & Zablah, A.R. (2014), "Gratitude versus entitlement: A dual process model of the profitability implications of customer prioritization," *Journal of Marketing*, 78(2), 1-19.
Wetzer, I.M., Zeelenberg, M., & Pieters, R. (2007). "Never eat in that restaurant, I did! : Exploring why people engage in negative word-of-mouth communication," *Psychology & Marketing*, 24(8), 661-80.
Wheeler, L., Martin, R., & Suls, J. (1997). "The proxy model of social comparison for self-assessment of ability," *Personality and Social Psychology Review*, 1(1), 54-61.
White, J.B., Langer, E.J., Yariv, L., & Welch IV, J.C. (2006), "Frequent social comparisons and destructive emotions and behaviors: The dark side of social comparisons," *Journal of*

Adult Development, 13(1), 36-44.
Wills, T. A. (1981). "Downward comparison principles in social psychology," *Psychological Bulletin*, 90(2), 245-71.
Wirtz, J., Mattila, A.S., & Lwin, M.O. (2007), "How effective are loyalty reward programs in driving share of wallet?" *Journal of Service Research*, 9(4), 327-34.
Wood, W., & Neal, D.T. (2009), "The habitual consumer," *Journal of Consumer Psychology*, 19(4), 579-92.
Yi, Y., & Jeon, H. (2003), "Effects of loyalty programs on value perception, program loyalty, and brand loyalty," *Journal of the Academy of Marketing Science*, 31(3), 229-40.
Yun, S., Takeuchi, R., & Liu, W. (2007), "Employee self-enhancement motives and job performance behaviors: Investigating the moderating effects of employee role ambiguity and managerial perceptions of employee commitment." *Journal of Applied Psychology*, 92(3), 745.
Zabin, J. & Brebach, G. (2004), *Precision Marketing: The New Rules for Attracting, Retaining, and Leveraging Profitable Customer.*, Hoboken, NJ: Wiley.

APPENDICES

Appendix A - Study 1 IRB Approval

Oklahoma State University Institutional Review Board

Date:	Thursday, January 12, 2017	**Protocol Expires: 10/18/2019**
IRB Application No:	BU1657	
Proposal Title:	Enhancement motivation derived from envy: the positive influence of watching others receive preferential treatment.	
Reviewed and Processed as:	Exempt **Modification**	

Status Recommended by Reviewer(s) **Approved**

Principal Investigator(s):

Yu Shan Huang
216 HAN
Stillwater, OK 74078

Tom Brown
319 CBA
Stillwater, OK 74078

The requested modification to this IRB protocol has been approved. Please note that the original expiration date of the protocol has not changed. The IRB office MUST be notified in writing when a project is complete. All approved projects are subject to monitoring by the IRB.

☐ The final versions of any printed recruitment, consent and assent documents bearing the IRB approval stamp are attached to this letter. These are the versions that must be used during the study.

The reviewer(s) had these comments:

Mod to add a training video to be shown before showing the manipulated video and to add the following measures:
The alternative mediators of state negative affectivity and state optimism, the alternative outcome variables of customer misbehavior and loyalty intentions, the alternative moderators of perceived rule appropriateness and affective cynicism, and the additional control variables of social desirability and trait positive affectivity/negative affectivity.

Signature :

Hugh Crethar, Chair, Institutional Review Board

Thursday, January 12, 2017
Date

Appendix B - Study 2 IRB Approval

Oklahoma State University Institutional Review Board

Date:	Wednesday, October 19, 2016
IRB Application No	BU1658
Proposal Title:	Enhancement motivation derived from envy: the positive influence of watching others receive preferential treatment (Study 2)
Reviewed and Processed as:	Exempt

Status Recommended by Reviewer(s): Approved Protocol Expires: 10/18/2019

Principal Investigator(s):

Yu Shan Huang
216 HAN
Stillwater, OK 74078

Tom Brown
505 S. Main St.
Stillwater, OK 74074

The IRB application referenced above has been approved. It is the judgment of the reviewers that the rights and welfare of individuals who may be asked to participate in this study will be respected, and that the research will be conducted in a manner consistent with the IRB requirements as outlined in section 45 CFR 46.

☐ The final versions of any printed recruitment, consent and assent documents bearing the IRB approval stamp are attached to this letter. These are the versions that must be used during the study.

As Principal Investigator, it is your responsibility to do the following:

1. Conduct this study exactly as it has been approved. Any modifications to the research protocol must be submitted with the appropriate signatures for IRB approval. Protocol modifications requiring approval may include changes to the title, PI advisor, funding status or sponsor, subject population composition or size, recruitment, inclusion/exclusion criteria, research site, research procedures and consent/assent process or forms
2. Submit a request for continuation if the study extends beyond the approval period. This continuation must receive IRB review and approval before the research can continue.
3. Report any adverse events to the IRB Chair promptly. Adverse events are those which are unanticipated and impact the subjects during the course of the research; and
4. Notify the IRB office in writing when your research project is complete.

Please note that approved protocols are subject to monitoring by the IRB and that the IRB office has the authority to inspect research records associated with this protocol at any time. If you have questions about the IRB procedures or need any assistance from the Board, please contact Dawnett Watkins 219 Scott Hall (phone: 405-744-5700, dawnett.watkins@okstate.edu).

Sincerely,

Hugh Crethar, Chair
Institutional Review Board

Appendix C - Qualitative Interview Coding Summary

Participant 1

Theme	Category	Code	Transcriptions
Feelings	Inferiority	second class	Um…when I am just a regular member, I feel like I am a second class to hotels.
Feelings	unimportance	Unappreciated by companies	I feel that my stays were not very significant to them. They don't really appreciate me a whole lot.
Feelings	Discomfort	unenjoyable	I mean obviously, when it comes to the airline industry, even though I would say the points I have is a whole lot, there are people who get better upgrades. That's something I don't really enjoy.
Feelings	Envy	envious	I would say a little envious.
Feelings	Anger	pissed	I feel a bit pissed.
Feelings	Anger	pissed	I was a little pissed about that for sure.
Feelings	Anger	angry	I am a little… That's say my KrisFlyer experience, I was a little angry actually with people that got boarded first and get service first.
Feelings	Envy	jealous	I was a little angry and a little jealous about them.

Participant 2

Theme	Category	Code	Transcriptions
Feelings	Inferiority	Different treatment	It's just kind of like… a small difference between other customers and I. But the treatment is so much different.
Feelings	Envy	jealous	… people just get really jealous.
Feelings	Envy	jealous	The card shows the status and levels. So people actually get jealous with that one.
Feelings	Discomfort	upset	So ya… I would say I get upset and jealous with others' better treatment most of the time, especially to airlines.
Feelings	Envy	jealous	So ya… I would say I get upset and jealous with others' better treatment most of the time, especially to airlines.

Participant 3

Theme	Category	Code	Transcriptions
Feelings	Envy	envious	I certainly feel a bit envious toward them because I wish I could be part of the program.

Participant 4

Theme	Category	Code	Transcriptions
Feelings	Envy	jealous	If I just started the program, of course, I don't get any bonus. But I would still feel a bit jealous.
Feelings	Envy	jealous	But if I were not in the program and see someone having priority benefits, I would feel even more jealous.

Participant 5

Theme	Category	Code	Transcriptions
Feelings	Neutral	Not bother	So it doesn't really bother me.
Feelings	Neutral	Feel nothing	Ya… I don't really feel anything.
Feelings	Neutral	Not bother	If I don't get the reward, it doesn't bother me.

Participant 6

Theme	Category	Code	Transcriptions
Feelings	Neutral	Don't feel much	In most cases, I will openly admitted that I don't feel much, in regards to it.
Feelings	Neutral	Not bother	I have friends who are required to travel for their jobs … when I see them get upgraded, that to me doesn't bother me at all.
Feelings	Discomfort	frustration	So in the case of small common items, such as the purchases of electronic devices, video grams and groceries, the loyal reward practice does cause frustration on my part.
Feelings	Discomfort	frustrated	Initially, it was very frustrated. When I moved to a new area, the company I have loyal reward program with, where I get the benefits, is not available.
Feelings	Inferiority	less valuable customer	And the other company made me feel like I was a less valuable customer because I just moved to the area.
Feelings	Discomfort	frustrated	This to me was very frustrated.
Feelings	Discomfort	Excluded and punished	You have to realize that people will come and go. They change their geolocations. It didn't seem so much a reward program as I was excluded and punished for living their not long enough.

Participant 7

Theme	Category	Code	Transcriptions
Feelings	Neutral	Not offended or unhappy	I think this is the way that companies differentiate their customers so I don't feel offended or unhappy about it.

Participant 8

Theme	Category	Code	Transcriptions
Feelings	Neutral	Feel nothing	I don't really feel anything.

Participant 9

Theme	Category	Code	Transcriptions
Feelings	Discomfort	uncomfortable	It's uncomfortable. I have to say this.
Feelings	Discomfort	offended	… people could be offended by it …
Feelings	Envy	envious	… people could be envious …
Feelings	Discomfort	uncomfortable	It can be uncomfortable for someone that other people get preferential treatment. Especially the way they go about it, when you are in the airport and they got you categorized by numbers, number 4 can see everyone.
Feelings	Discomfort	uncomfortable	It's kind of uncomfortable in public.
Feelings	Discomfort	irritating	I guess it's the question, for me, is when it's out in public. It's a bit irritating.

Participant 10

Theme	Category	Code	Transcriptions
Feelings	Inferiority	second class passenger	Whenever I am in an airport and I see people going to those nice lounges for the airlines, I feel like a second class passenger.
Feelings	Envy	jealous	I wish I have enough points to go to those lounges. Ya… I feel a little bit jealous.
Feelings	Envy	envious	In supermarkets, if I am in another town with another supermarkets … they can swipe and give me discounts anyway, which I really appreciate. Supermarkets will do it but airlines are not going to do it. So I feel a little bit envious in the airport situation but not supermarket though.
Feelings	Envy	Wish to get that position	Um…. I am thinking I wish I flew more. If I flew that airlines more, I would get those points.
Feelings	Inferiority	second class passenger	And again, I am just thinking, "oh ~ I am just kind of a second class passenger".

Participant 11

Theme	Category	Code	Transcriptions
Feelings	Neutral	Not angry	If it is rightly made know to you off you status, I guess you will not be getting angry with it.
Feelings	Envy	envious	If I fly with economic class and see people flying first class, obviously I feel a bit envious of them.
Feelings	Neutral	Doesn't matter	But if it is a short flight, like one hour or two hours, it doesn't matter.

Participant 12

Theme	Category	Code	Transcriptions
Feelings	Neutral	Not bother	Right now I am a student; I am not a business traveler or anything." So I guess it doesn't really bother me that much.

Participant 13

Theme	Category	Code	Transcriptions
Feelings	Discomfort	Annoying	This can be kind of annoying.
Feelings	Discomfort	Annoying	For example, going through a flight, you will see, not to say if you buy business class and are paying higher, that loyalty programs allow certain customers access to perks. So I guess it can be annoying.
Feelings	Envy	Jealous	And … maybe a little bit jealous …
Feelings	Envy	Wish in the position	… wish I were in their position.
Feelings	Inferiority	second dips	For the rest of us who pay for the flights, we only get to second dips.
Feelings	Inferiority	second class citizen	So it's a little obvious in the airport situation. More feel like a second class citizen so to speak.
Feelings	Envy	Jealous	On the one hand, obviously I am a little bit jealous.

Participant 14

Theme	Category	Code	Transcriptions
Feelings	Inferiority	second class citizen	You do feel a little bit like a second class citizen
Feelings	unimportance	Left out	While you don't pay as much as them, you still pay to be there and you are still enjoying the service. So the quality should be similar because you still have a seat on the plane. I think I did feel a bit left out.

Feelings	Envy	Would be nice	I think sometimes, depending on my moods, I was sort of like "oh ! it would be nice to sit up there to get that kind of treatment." On the evening flight to be able to get dinner on the plane, that would be nice.
Feelings	Envy	envious	There are a few times that I feel envious of them. But it's not all the time I feel that way.
Feelings	Inferiority	They are better	I think that other people get treated preferentially maybe feel they are better than I am

Participant 15

Theme	Category	Code	Transcriptions
Feelings	Neutral	fine	If they invest more money or buy more stuff, I am kind of fine with it.
Feelings	Envy	wish	Of course, sometimes I wish I were them.
Feelings	Envy	envy	I will say … ya… I wish I could be them, maybe a little bit envy.

Participant 16

Theme	Category	Code	Transcriptions
Feelings	Neutral	Not bother	Unless I thought the value is really worth it, it doesn't bother me.
Feelings	Discomfort	frustrated	I will say I would be frustrated if that's something I use a lot and just now found out the rewards program.
Feelings	Discomfort	frustrating	That would be frustrating knowing that in the past I could have accumulated points.

Participant 17

Theme	Category	Code	Transcriptions
Feelings	Neutral	Not bother	It usually doesn't bother me because I don't really view it as preferential treatment.
Feelings	Neutral	Don't care	I decided not joining was best for me, so I don't really care.

Participant 18

Theme	Category	Code	Transcriptions
Feelings	Neutral	No special feeling	Me on the other hand, if I don't participate, then I don't see why I should be treated preferentially. I don't have any special feeling toward it.

Appendix D - Study 1 Manipulations and Measurement Instrument

In this study we would like you to watch two customer-experience videos and answer a few questions related to them.

Please pay close attention to videos and answer all of the questions on the following pages. There are no right or wrong answers. We are interested in your true responses.

Your responses are extremely important to our research. Please respond to each item and do not skip any of them. All of your answers are confidential.

Thank you very much for your participation!

Please click >> below to begin.

In this first section, we would like you to watch a life experience video and answer a few questions related to the video. Please imagine you are in the scenario and what is on the screen is what you see in person.

Now, please click the ">>" button to watch the video on the next page and imagine yourself in this story as you observe what happens next. It is very important that you play close attention to the video.

(Video link: https://www.youtube.com/watch?v=J_fG_hH2F30&index=1&list=PLHXA-GJt5waSBtS4UJO0C1gGns6PVOX3M)

Think back to the video you just watched. What was the setting of the video?

- ☐ Amusement park
- ☐ House backyard
- ☐ Football stadium
- ☐ Shopping mall
- ☐ Art museum

Who did you interact with in the video?

- ☐ Coworkers
- ☐ Store employees
- ☐ Kids
- ☐ Museum administrators
- ☐ Football players

Think back to the video you just watched. Please write down what you would have been feeling in the situation.

In this second section, we would like you to watch a hotel customer service video as we are working with a well-known hotel chain to help provide insights into customer service encounters.

Please imagine you are a customer of the hotel chain. You have stayed there in the past and have been satisfied.

Today, you visit this hotel for a two-night stay to enjoy a vacation with your friends. Your friends haven't arrived yet, so you carry your luggage into the hotel and join the waiting line to check in.

Now, please click the ">>" button to watch the video on the next page and imagine the camera is your eyes and what the camera shows is what you see in person. As you observe what happens next, please imagine yourself in this story. It is very important that you play close attention to the video.

(Video Manipulations: Participants were randomly assigned to watch one of the following videos)

Condition 1 - No preferential treatment without knowledge (https://youtu.be/BqrN2pAmIZs)

Condition 2 - No preferential treatment with knowledge (https://youtu.be/CupOyk2ewcU)

Condition 3 - Preferential treatment without knowledge (https://youtu.be/AfL15Ut8kQ8)

Condition 4 - Preferential treatment with knowledge

(https://youtu.be/Nrg8bNb68x4)

Please write down what you were thinking while you watched the video.

Please indicate the extent to which you agree with each of the following statements based on the video you watched earlier. (All the items below are rated on a 7-point-Likert scale with 1= strongly disagree and 7= strongly agree)

Envy items

I would feel envious of the other customers.

I would be envious of the service treatment received by of the other customers.

I would feel envious of the attention that the other customers received.

I would want to receive what the other customers got.

Self-improvement motivation items

I would want to change my behaviors to earn more benefits for myself.

It would be important for me to get better benefits.

I would want to enhance my existing position.

I would want to alter my behaviors to improve my current situation.

Revenge motivation items

I would want to take actions to get the hotel in trouble.

I would want to punish the hotel in some way.

I would want to cause inconvenience to the hotel.

I would want to get even with the hotel.

I would want to make the hotel get what it deserves.

Negative word-of-mouth items

I would like to say negative thing about the hotel.

I would like to warn my friends and relatives not to purchase from the hotel.

I would like to complain to my friends and relatives about the hotel.

Program participation items

I would participate in the hotel's loyalty reward program.

I would be involved in the hotel's loyalty reward program.

I would put effort in the hotel's loyalty reward program.

I would spend time engaging in the hotel's loyalty reward program.

I would pay more attention to the company's loyalty program than I previously had.

State upward social comparison items

I compared myself to the other customers shown in the video.

I paid a lot of attention to how I do things as compared to how the other customers shown in the video do things.

I considered my situation in life relative to that of the other customers shown in the video.

Perceived similarity of the comparison target measures

The customers shown in the video are similar to me.

The customers shown in the video have a great deal in common with me.

Perceived attainability items

If I wanted to, I could receive special treatment received from hotel employees.

It is realistic for me to acquire the special treatment from hotel employees.

I am confident that I would be able to receive the special treatment from hotel employees.

Perceived fairness

The way the hotel treated me was unfair.

The way the hotel treated me was unjustified.

Given my behavior as a customer, the hotel treated me unfairly.

Given what the hotel earns from their sales to me, it treated me unfairly.

(Manipulation check)

Think back to the scenario. How would you describe the level of services provided to the other customer who was waiting behind you in the line by the hotel?

- ☐ 1 = same as the level of service I received
- ☐ 2
- ☐ 3
- ☐ 4
- ☐ 5
- ☐ 6
- ☐ 7 = much better than the level of service I received

Think back to the scenario. Do you know why some customers can receive special treatment provided by the hotel?

☐ No

☐ Yes

Think back to the scenario. Is the hotel running a reward's program that allows elite members to receive special treatment?

☐ No

☐ Yes

☐ I am not sure

Lastly, please tell us a little bit about yourself.

Please tell us all of the hotel loyalty programs that you have ever participated in.

❍ Starwood Preferred Guest
❍ Hyatt Gold Passport
❍ Choice Privileges
❍ Marriott Rewards
❍ Hilton HHonors
❍ Le Club Accorhotels
❍ Other_____
❍ Wyndham Rewards
❍ La Quinta Returns
❍ Club Carlson
❍ Best Western Rewards
❍ Intercontinental Hotels Group (IHG) Rewards
❍ None

Please indicate in which programs, if any, you currently have elite status where you receive additional benefits or perks not offered to basic members.

❍ Starwood Preferred Guest
❍ Hyatt Gold Passport
❍ Choice Privileges
❍ Marriott Rewards
❍ Hilton HHonors
❍ Le Club Accorhotels
❍ Other_____
❍ Wyndham Rewards
❍ La Quinta Returns
❍ Club Carlson
❍ Best Western Rewards
❍ Intercontinental Hotels Group (IHG) Rewards
❍ None

Over the last five years, how many nights per year have you stayed overnight in hotels/motels/inns?

- ❍ Fewer than 5 nights (1)
- ❍ 6–10 nights (2)
- ❍ 11–15 nights (3)
- ❍ 16–20 nights (4)
- ❍ 21–25 nights (5)
- ❍ 26–30 nights (6)
- ❍ More than 30 nights (7)

What is your gender?

- ❍ Female
- ❍ Male

What is your nationality?

- ❍ USA
- ❍ Other

Answer If previous answer is ”Other”

Please specify your nationality.

What is your age?

Thank you very much for your time and thoughtful responses. They are important for the successful completion of our project.

Appendix E - Study 2 Survey Instrument

Survey

First, please think of a recent **hotel experience you had during the last six months** in which you noticed other customers were receiving preferential treatment that resulted in their service being better than yours. For example, you might have noticed other customers receiving upgrades or free stays; free meals, snacks, or amenities; friendlier, more personalized service; immediate check-in or help with questions; or other perks similar to these.

Take a couple of minutes to think about the specific situation at the hotel. Please describe the situation below, using at least two sentences.

Next, thinking about the situation you just described, please indicate the extent to which you agree with each of the following statements.

	Not at All						Very Much So
The hotel employees did things for other customers that they did not do for me.	1	2	3	4	5	6	7
The hotel employees placed other customers higher on the priority list than they did me.	1	2	3	4	5	6	7
The hotel employees gave other customers faster service than they did me.	1	2	3	4	5	6	7
The hotel employees gave other customers better treatment than they gave me.	1	2	3	4	5	6	7
The hotel employees gave other customers special things that they did not give me.	1	2	3	4	5	6	7
The hotel employees did things for other customers that they did not do for me.	1	2	3	4	5	6	7

	Strongly Disagree						Strongly Agree
I felt envious of the customers who were treated better than I was treated.	1	2	3	4	5	6	7
I felt envious of the service received by those customers.	1	2	3	4	5	6	7
I felt envious of the attention that the other customers received.	1	2	3	4	5	6	7
I wanted to receive what the other customers got.	1	2	3	4	5	6	7

In this section, please tell us about some of your reactions after watching others receive the service and treatment that you did not receive.

	Strongly Disagree						Strongly Agree
I intended to change my behaviors to receive the same benefits for myself.	1	2	3	4	5	6	7
It was important for me to receive better benefits than I was currently receiving.	1	2	3	4	5	6	7
I intended to raise my existing position to the level of the customers who were treated better than I was.	1	2	3	4	5	6	7
I intended to learn from the customers who were treated better than I was to improve my current situation.	1	2	3	4	5	6	7

	Strongly Disagree						Strongly Agree
I intended to take action to create negative consequences for the hotel.	1	2	3	4	5	6	7
I intended to punish the hotel in some way.	1	2	3	4	5	6	7
I intended to cause inconvenience to the hotel.	1	2	3	4	5	6	7
I intended to get even with the hotel.	1	2	3	4	5	6	7
I intended to make the hotel get what I believed it deserved.	1	2	3	4	5	6	7

If the hotel conducts a loyalty reward program, please indicate to which degree the following statements applied to you after the recalled incident occurred.

	Strongly Disagree						Strongly Agree
I became more involved in the company's loyalty program than I had been before.	1	2	3	4	5	6	7
I put substantial effort in the company's loyalty program.	1	2	3	4	5	6	7
I spent significant time engaging in the company's loyalty program.	1	2	3	4	5	6	7
I paid more attention to the company's loyalty program than I previously had.	1	2	3	4	5	6	7

Please indicate the extent to which you reacted in the following ways.

	Strongly Disagree						Strongly Agree
I said negative things about this hotel to others.	1	2	3	4	5	6	7
I warned my friends and relatives not to visit this hotel.	1	2	3	4	5	6	7
I complained to my friends and relatives about this hotel.	1	2	3	4	5	6	7

Please indicate your attitude toward the hotel prior to the time you observed others getting better treatment than you received.

	Strongly Disagree						Strongly Agree
I considered myself a loyal customer of the hotel.	1	2	3	4	5	6	7
When I needed to stay at a hotel, I stayed there whenever possible.	1	2	3	4	5	6	7
I preferred this hotel to other hotels.	1	2	3	4	5	6	7
This hotel was always the best choice for me.	1	2	3	4	5	6	7
I liked visiting this hotel.	1	2	3	4	5	6	7

Next, thinking about the situation you just described, please indicate the extent to which you agree with each of the following statements.

	Strongly Disagree						Strongly Agree
The rules by which the hotel rewards certain customers were clear to me.	1	2	3	4	5	6	7
I understood what customers are expected to do to receive rewards.	1	2	3	4	5	6	7
I completely understood the rules of how the hotel distributes rewards.	1	2	3	4	5	6	7
I had read information about the hotel's rewards program prior to the recalled experience.	1	2	3	4	5	6	7

Next, thinking about your current knowledge of the hotel described in the recalled incident, please indicate the extent to which you agree with each of the following statements.

	Strongly Disagree						Strongly Agree
The rules by which the hotel rewards certain customers are clear to me.	1	2	3	4	5	6	7
I understand what customers are expected to do to receive rewards.	1	2	3	4	5	6	7
I completely understand the rules of how the hotel distributes rewards.	1	2	3	4	5	6	7
I read information about the hotel's rewards program.	1	2	3	4	5	6	7

If I am a frequent visitor of the hotel, I would expect that …

	Strongly Disagree						Strongly Agree
I could stay at this hotel at lower financial cost.	1	2	3	4	5	6	7
I could spend less when staying at this hotel.	1	2	3	4	5	6	7
I could save money when staying at this hotel.	1	2	3	4	5	6	7

Please think about the situation you described earlier and indicate the extent to which you agree with each of the following statements.

	Strongly Disagree						Strongly Agree
I do not believe that the hotel's reward practice is fair.	1	2	3	4	5	6	7
I believe that the way that this hotel distributes rewards is unjustified.	1	2	3	4	5	6	7
The reward distribution is not administered equitably by the hotel.	1	2	3	4	5	6	7
I don't think the hotel's rewards program is fair to all its customers.	1	2	3	4	5	6	7

	Strongly Disagree						Strongly Agree
The hotel's rules of providing preferential treatment are proper.	1	2	3	4	5	6	7
The hotel's rules of distributing rewards are legitimate for the hotel industry.	1	2	3	4	5	6	7
I think the rules of the hotel's rewards program are appropriate.	1	2	3	4	5	6	7

Please think about the situation you described earlier and indicate the extent to which you agree with each of the following statements.

	Strongly Disagree						Strongly Agree
The customers who received preferential treatment are similar to me.	1	2	3	4	5	6	7
The customers who received preferential treatment have a great deal in common with me.	1	2	3	4	5	6	7

Considering the situation you described earlier in which other customers were getting better treatment than you were, please indicate the degree to which the following statements are true.

	Strongly Disagree						Strongly Agree
I compared myself to the other customers who received special treatment.	1	2	3	4	5	6	7
I paid substantial attention to how I do things as compared to how the other customers who received special treatment do things.	1	2	3	4	5	6	7
I compared my situation in the service encounter to that of the other customers who received special treatment.	1	2	3	4	5	6	7

	Strongly Disagree						Strongly Agree
If I wanted to, I could receive the special treatment received by other customers.	1	2	3	4	5	6	7
It is realistic for me to acquire the special treatment received by other customers.	1	2	3	4	5	6	7
I am confident that I would be able to receive the special treatment received by other customers.	1	2	3	4	5	6	7

Considering all the nights you have stayed in hotels, please indicate the approximate percentage of time that you had stayed at the hotel chain in question **PRIOR TO** observing others receive the special treatment that you wrote about earlier.

- ❍ 0 - 10% (1)
- ❍ 11 - 20% (2)
- ❍ 21 - 30% (3)
- ❍ 31 - 40% (4)
- ❍ 41 - 50% (5)
- ❍ 51 - 60% (6)
- ❍ 61 - 70% (7)
- ❍ 71 - 80% (8)
- ❍ 81 - 90% (9)
- ❍ 91 - 100% (10)

Considering all the nights you have stayed in hotels, please indicate the approximate percentage of time that you stayed at the hotel chain **AFTER** observing others receive the special treatment that you wrote about earlier.

- ❍ 0 - 10% (1)
- ❍ 11 - 20% (2)
- ❍ 21 - 30% (3)
- ❍ 31 - 40% (4)
- ❍ 41 - 50% (5)
- ❍ 51 - 60% (6)
- ❍ 61 - 70% (7)
- ❍ 71 - 80% (8)
- ❍ 81 - 90% (9)
- ❍ 91 - 100% (10)

Thinking about the situation you described earlier, did you switch to another hotel after observing others receive special treatment at that time?

- ❍ No (1)
- ❍ Yes (2)

How likely is it that you would switch to another hotel in the future?

Not at All Likely						Extremely Likely
1	2	3	4	5	6	7

Lastly, please tell us a little bit more about yourself.

Were you a reward program member of the hotel described earlier at the time of the recalled incident?

❍ No
❍ Yes.

If yes, in the space below, please tell us approximately how long you had been a member.
_____ year(s).

Did you join the hotel's reward program after the time of the incident that you recalled?

❍ No
❍ Yes.

If yes, in the space below, please tell us how long you have now been a member.
_____ months.

(For those who answer NO) Are you considering joining the hotel's reward program in the future?

❍ No
❍ Yes

Have you ever participated in any other hotel loyalty programs?

❍ No
❍ Yes.

If yes, in the space below, please tell us what are the loyalty programs that you have participated in and your status in the program(s).

❍ Starwood Preferred Guest
❍ Hyatt Gold Passport
❍ Choice Privileges
❍ Marriott Rewards
❍ Hilton HHonors
❍ Le Club Accorhotels
❍ Wyndham Rewards
❍ La Quinta Returns
❍ Club Carlson
❍ Best Western Rewards
❍ Intercontinental Hotels Group (IHG) Rewards

Over the last five years, how many nights per year have you stayed overnight in hotels/motels/inns?

❍ Fewer than 5 nights (1)
❍ 6–10 nights (2)
❍ 11–15 nights (3)
❍ 16–20 nights (4)
❍ 21–25 nights (5)
❍ 26–30 nights (6)
❍ More than 30 nights (7)

VITA

Yu-Shan (Sandy) Huang

Candidate for the Degree of

Doctor of Philosophy with an Option in Marketing

Thesis: ENHANCEMENT MOTIVATION DERIVED FROM ENVY: THE POSITIVE INFLUENCE OF WATCHING OTHERS RECEIVE PREFERENTIAL TREATMENT

Major Field: Business Administration

Biographical:

Education:

Completed the requirements for the Doctor of Philosophy in Marketing at Oklahoma State University, Stillwater, Oklahoma in May, 2017.

Completed the requirements for the Master of Science in International Business at Pittsburg State University, Pittsburg, Kansas in May, 2012.

Completed the requirements for the Bachelor of Science in Marketing at Pittsburg State University, Pittsburg, Kansas in December, 2010.

Experience:

Employed by Oklahoma State University, Department of Marketing as a Graduate Research Associate and Graduate Teaching Associate; Oklahoma State University, Spears School of Business, Stillwater, Oklahoma from August 2012 to May 2017.

Employed by AC Neilsen (a marketing research firm) as a Marketing Intern; Taipei, Taiwan from September 2006 to August 2007.

Professional Memberships:

American Marketing Association