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Three Essays on Opportunistic Claiming Behavior in a Services Setting: Customers and Front Line Employees Perspectives

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**THREE ESSAYS ON OPPORTUNISTIC CLAIMING BEHAVIOR IN A
SERVICES SETTING: CUSTOMERS AND FRONT LINE EMPLOYEES
PERSPECTIVES**

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THREE ESSAYS ON OPPORTUNISTIC CLAIMING BEHAVIOR IN A SERVICES SETTING: CUSTOMERS AND FRONT LINE EMPLOYEES PERSPECTIVES

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ABSTRACT

This three-essay dissertation integrates the literatures on opportunistic claiming behavior, customer complaining and persuasion theories to examine the following research questions: (1) what factors influence frontline employee's perceived legitimacy of consumer complaints in a services setting? and (2) what drivers impact the consumer's propensity to make opportunistic claims?

More and more customers nowadays attempt to take advantage of service failures and claim what they can, rather than what they deserve given the service encounter circumstances. Given the narrow profit margins and fierce competition, the issue of opportunistic claiming behavior has become increasingly relevant over the past few years. Firms can no longer tolerate fraudulent complaints and illegitimate merchandise returns. Essay 1 advances our understanding of the opportunistic claiming behavior by conceptualizing a customer complaint as an attempt at persuasion on behalf of the customer. From the theoretical perspective, the major contribution to the marketing discipline is the direct application of persuasion theories to situations where firm employees and not the consumers serve as a target of persuasion attempts, whereas customers are regarded as a message source while voicing a complaint.

Building on the conceptual framework proposed in the first essay, Essay 2 examines the complaint legitimacy as it is perceived by frontline employees. Determining

complaint authenticity is a crucial step towards detecting opportunistic claims since the employees must judge the legitimacy of the customer's complaint according to the rationale offered by the customer. The proposed model draws on source, context and receiver factors that have been identified in the persuasion literature to influence the target's behavior in various ways and suggests three bundles of antecedents important to shaping employee's perception of complaint's legitimacy: customer factors, employee factors, and situational factors. In essence, Essay 2 empirically tests whether the persuasion models work in reverse, i.e. where a customer plays no longer a role of a target but rather acts as a message source.

Finally, Essay 3 views a complaint action through the prism of transaction cost economics; dissatisfaction from the service failure is regarded as a realized transaction risk which affects customer's equity perceptions about the exchange during a service encounter and subsequent firm's recovery efforts. The cost-benefit analysis triggered by the equity perceptions leads to a subjective evaluation of whether it pays off to engage in opportunistic claiming behavior. Namely, economics and social psychology both suggest that the likelihood of carrying out such a dishonest act is a function of subjective evaluation of external and internal rewards which may favor this particular action.

As a result, the third essay bridges the gap between marketing and economics by introducing a construct of perceived customer power which is viewed as an integral part of the above mentioned cost-benefit analysis. In addition, the manuscript argues that expected material gain (external rewards) and the importance of moral identity (internal rewards) also affect propensity to engage in opportunistic claiming behavior.

DEDICATION

This dissertation is dedicated to my mother, Alexandra Khantimirova, for without her unconditional love and support, I never would have had the strength to complete this journey. Thank you for believing and caring for me, your love transcends the boundaries of space and time.

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CHAPTER 1

1. INTRODUCTION

Scholars in both psychology and marketing have long been fascinated with the phenomenon of complaining (e.g., Kowalski, 1996; Oliver, 1997; Kim, Kim, Im & Shin, 2003; Thøgersen, Juhl & Poulsen, 2009). Voicing complaints often becomes an effective tool to express dissatisfaction with various aspects of people's lives and their environments (Kowalski, 1996). From a marketing standpoint, the investigation of factors influencing customer satisfaction and dissatisfaction with products, consumer intentions to express this dissatisfaction in the form of complaints and marketers' responses to such complaints have been thoroughly explored in the marketing literature (e.g., Fornell & Westbrook, 1984; Oliver, 1997; Chu, Gerstner & Hess, 1998).

While the extant literature on customer complaining behavior has provided valuable insights into antecedents, processes and dynamics of the phenomenon, the majority of scholarly works is based on the assumption that customers act in a good-mannered and functional way, i.e. where consumers complain with the sole purpose of expressing a genuine dissatisfaction with a product or service (Reynolds & Harris, 2009). While the majority of consumer complaints fall into this category and appear reasonable for employees or the firm to adapt the service to address these requests, some complaints may "greatly deviate from the normal service scope and employee expectations" (Wang, Beatty & Liu, 2012, p. 69). As Wirtz and McColl-Kennedy (2010) point out, some customers may deliberately take advantage of the firm with an ultimate goal to gain what they can, rather than what they are entitled to. Such behavior of unreasonable claiming has been coined as opportunistic (Ping, 1993).

The importance of the issue of opportunistic claiming behavior should not be underestimated. According to the Daily Mail UK (2014), 912 out of 5000 passengers admitted to lying in order to receive free upgrades on flights (44% of them reported to being successful in their deceptions). Such deceitful behavior is nothing new to US retailers as the practice of “wardrobing”, i.e. purchasing, using, and returning the used clothing costs the stores across the country around \$16 billion annually (Speights and Hilinski 2005). In addition, employee theft and fraud, estimated at \$600 billion a year in the US alone, suggests that people are not always honest in their behavior (ACFE 2006).

Within the services context, Kim (2008) points out that frontline employees frequently encounter customers who are perceived as extremely demanding and difficult. Furthermore, narrow profit margins along with extremely generous service recovery efforts where some firms go as far as doing everything they possibly can to never lose a guest deem this topic worthy of attention (Tax and Brown 1998; Baker, Magnini and Perdue 2012).

The topic of unreasonable consumer complaining has been predominantly discussed in conceptual papers and literature reviews without further empirical support (e.g., Fisk et al. 2010; Baker, Magnini and Perdue 2012). The scarce empirical research investigating the matter is fragmented due to the context-specific nature of the subject and as it mainly employs the critical incident approach, which relies on customer memory and requires accurate and truthful reporting (e.g., Reynolds and Harris 2005; Ro and Wong 2012). Although the issue of illegitimate complaining has drawn some researchers' attention in recent years, the small literature on dysfunctional behavior has largely neglected the phenomenon of opportunistic claiming in the service recovery context. One

of the few notable manuscripts in this area is the recent study by Wirtz and McColl-Kennedy (2010) which systematically explores opportunistic claiming behavior in a service recovery context. They define opportunistic claiming as *voicing a complaint with the purpose of taking financial advantage of a company's service failure and its recovery efforts* (Wirtz and McColl-Kennedy 2010), and investigate customer fairness perceptions as well as several contextual variables such as firm size and the length of the relationship between customers and the firm as potential drivers of opportunistic claiming behavior. However, as Baker, Magnini and Perdue (2012) point out in their conceptual framework, the overall picture of which forces actually trigger opportunistic claims remains somewhat vague. As a result, it remains unclear what forces drive opportunistic claiming behavior within the context of service failures after a genuine service problem has occurred. The present manuscript addresses this gap and advances our understanding of the phenomenon by empirically investigating the drivers of opportunistic claiming behavior.

The current research focuses on this subsequent form of such illegitimate complaining, opportunistic claiming behavior which is aimed at seeking monetary compensation through complaint actions, rather than voicing a complaint for various interpersonal reasons¹. Such opportunistic claiming theoretically transcends different disciplines including psychology, economics, marketing, and ethics or morality (Mazar, Amir, and Ariely 2008). As a result, this three-essay dissertation integrates the literatures on dysfunctional consumer behavior, customer complaining and persuasion theories to

¹ monetary rewards include non-monetary rewards that can be monetized but do not include purely psychological rewards such as revenge

focus on opportunistic claiming behavior as a subsequent form of illegitimate complaining.

Furthermore, Langeard et al. (1981) identified three main participants in a service encounter: service organization system, the contact employee and the consumer. Given a service context, three essays investigate the phenomenon from both, the front line employees and customer perspectives. As such, the following research questions are examined: (1) what factors influence frontline employee's perceived legitimacy of consumer complaints in a services setting? and (2) what drivers impact the consumer's propensity to make opportunistic claims?

Essay 1 advances our understanding of the opportunistic claiming behavior by conceptualizing a customer complaint as an attempt at persuasion on behalf of the customer. From the theoretical perspective, the major contribution to the marketing discipline is the direct application of persuasion theories to situations where firm employees and not the consumers serve as a target of persuasion attempts, whereas customers are regarded as a message source while voicing a complaint.

Building on the conceptual framework proposed in the first essay, Essay 2 examines the complaint legitimacy as it is perceived by frontline employees. Determining complaint authenticity is a crucial step towards detecting opportunistic claims since the employees must judge the legitimacy of the customer's complaint according to the rationale offered by the customer. The proposed model draws on source, context and receiver factors that have been identified in the persuasion literature to influence the target's behavior in various ways and suggests three bundles of antecedents important to shaping employee's perception of complaint's legitimacy: customer factors, employee

factors, and situational factors. In essence, Essay 2 empirically tests whether the persuasion models work in reverse, i.e. where a customer plays no longer a role of a target but rather acts as a message source.

Finally, Essay 3 views a complaint action through the prism of transaction cost economics; dissatisfaction from the service failure is regarded as a realized transaction risk which affects customer's equity perceptions about the exchange during a service encounter and subsequent firm's recovery efforts. The cost-benefit analysis triggered by the equity perceptions leads to a subjective evaluation of whether it pays off to engage in opportunistic claiming behavior. Namely, economics and social psychology both suggest that the likelihood of carrying out such a dishonest act is a function of subjective evaluation of external and internal rewards which may favor this particular action.

As a result, the third essay bridges the gap between marketing and economics by introducing a construct of perceived customer power which is viewed as an integral part of the above mentioned cost-benefit analysis. In addition, the manuscript argues that expected material gain (external rewards) and the importance of moral identity (internal rewards) also affect propensity to engage in opportunistic claiming behavior.

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CHAPTER 2

ESSAY 1: REVISITING THEORIES OF PERSUASION: THE CASE OF OPPORTUNISTIC CLAIMING BEHAVIOR

2.1 INTRODUCTION

The crucial role of frontline employees in service delivery has long been recognized in the marketing literature (Bitner et al., 1990; Wang et al., 2012). Langeard et al. (1981) identified three main participants in a service encounter: service organization system, the contact employee and the consumer. Customer complaints serve as an effective tool to maximize consumer utility and personal satisfaction from a service encounter (Bateson, 1985). While the majority of such requests are reasonable for the employee or the firm to adapt the service to these requests, some complaints “greatly deviate from the normal service scope and employee expectations” (Wang et al., 2012, p. 69). As such, customers may be deliberately involved into taking advantage of a service provider with a sole purpose to gain what they can, rather than what they are entitled to given the various levels of service failure severity.

The importance of the issue of opportunistic claiming behavior should not be underestimated. Kim (2008) points out that frontline service employees frequently encounter customers who are perceived as overly demanding and difficult. Furthermore, narrow profit margins along with extremely generous service recovery efforts where some firms go as far as doing “everything you possibly can to never lose a guest” (Tax & Brown, 1998b) deem this topic worthy of attention (Baker et al., 2012).

The purpose of this paper is to advance our understanding of the opportunistic claiming behavior and to refine the conceptualization and operationalization of the

phenomenon by examining the complaint legitimacy as it is perceived by frontline employees. Determining complaint authenticity is a crucial step towards detecting opportunistic claims since the employees must judge the legitimacy of the customer's complaint according to the rationale the customer offers (severity of service failure and other contextual factors) (Wang et al., 2012). Furthermore, as Kowalski (1996) suggests, one of the most important factors in social encounters is the complaint recipient's perception of a complaint's legitimacy. Although previous studies highlight the importance of legitimacy in the context of product returns in retailing, the construct has been defined and operationalized rather simplistically (e.g. Krapfel, 1988; Autry et al., 2007). The notable exception is the work by Wang et al. (2012) where authors explore the impact of legitimacy on actual employee's behavior in the context of consumer fuzzy return requests. However, research on what shapes the employees' judgments of the complaint's legitimacy is still missing. Thus, this work attempts to make a contribution to a growing body of literature on dysfunctional customer behavior by synthesizing the extant scholarly works and identifying sets of factors influencing employee's perceived complaint legitimacy: *employee-centric* (conflict avoidance and customer orientation), *customer-centric* (customer interaction styles, customer trustworthiness and customer appearance) and *situational* (severity of service failure) drivers.

While the majority of previous studies on the important role of legitimacy in employee's interpretations and reactions is focused on retail product returns (e.g. Autry et al., 2007; Krapfel, 1988; Wang et al., 2012), this paper extends past works by centering on the phenomenon of complaint legitimacy and employees' compliance

behavior within services settings and in a service recovery context, i.e. where a service failure has taken place and has triggered customers to voice a complaint.

The context of services adds yet another layer of complexity to studying the phenomenon of opportunistic claiming behavior since it becomes less clear as to what constitutes an illegitimate complaint: given the intangible nature of services, organizations may have difficulties standardizing their offerings and accurately gauge the extent of opportunistic customer complaining. As a result, companies may also face many challenges while attempting to outline operation procedures on how to handle complaints given the variance possible (Hartline & Ferrell, 1996). Thus, the compliance process is largely discretionary with regard to employee's interaction with a customer involving a dubious complaint (Blancero & Johnson, 2001). In essence, the main objective of this work is to explore the frontline employees' perceived legitimacy of customer complaints and its antecedents and its role in employee's compliance decisions during a service encounter. From the theoretical perspective, the major contribution to the marketing discipline is the direct application of persuasion theories to situations where firm employees and not the consumers serve as a target of persuasion attempts, whereas customers are regarded as a message source while voicing a complaint.

It is important to note that the employee's determination of complaint's legitimacy is relevant only when the front line employees are empowered to solve service issues without managerial intervention; thus, the major assumption of this paper is that the front line employees have sufficient competencies and the management embraces the idea of empowerment and encourages the staff to rectify service problems immediately after a customer complaint is voiced.

2.2 LITERATURE REVIEW

Opportunistic Complaining

People complain frequently to express dissatisfaction about various aspects of themselves, others and their environments (Kowalski, 1996). From the marketing standpoint, the considerable attention to complaining behavior can be found in research on consumer satisfaction. The growing body of literature has investigated factors influencing people's satisfaction and dissatisfaction with products, their intention to express such dissatisfaction in the form of a complaint, and marketing's response to these complaints (Fornell and Westbrook, 1984; Kim et al., 2003; Thøgersen et al., 2009).

However, as Reynolds and Harris (2009) point out, while extant literature on customer complaining behavior has provided valuable insights into antecedents, processes, and dynamics of the phenomenon, the majority of works is based on the assumption that customers act in a good-mannered and a functional way. However, the recent works have demonstrated that "norm-breaking deviant behaviors not only present but are also commonplace" (Baker et al., 2012, p. 301).

Fisk et al. (2010) have witnessed a prominent rise of a growing body of literature on what has been labeled as "dysfunctional customer behavior" by Reynolds and Harris (2009), "jaycustomers" by Lovelock (1994) and "consumer misbehavior" by Fullerton and Punj (2004). The central premise of this research stream is deliberately deviant customer behavior which covers a wide range of activities from shoplifting and intellectual property theft to minor coupon abuse and "free riding" (Macintosh and Stevens, 2013). One of the forms of such dysfunctional consumer behavior has been

coined as opportunistic where consumers have an opportunity to take advantage for personal gain (Berry and Seiders, 2008). Within services context, such opportunity may arise directly from experiencing a service failure caused by a service provider and may be directly exploited by consumers with little regard to principles or consequences with a sole purpose to gain what they can, rather than what they are entitled to given a specific magnitude of service failure severity.

The compliance outcome associated with an opportunistic complaint may yield a wide range of negative ramifications for a service provider (Baker et al., 2012). If an employee honors a potentially illegitimate complaint, it will lead to obvious financial costs of redress incurred by the firm. Given the intense competition and minimal profit margins in the service sector companies cannot afford to undermine their competitive stance by mishandling illegitimate complaints. In addition, yielding to an opportunistic complaint may encourage the customers to engage in the same complaint behavior in the future (Reynolds & Harris, 2005). Furthermore, as Kowalski (1996) suggests, voicing opportunistic complaints may also be contagious since other customers have the opportunity to watch and learn from behavior of other people through continuous interactions. As Bandura (1997) points out, people sometimes find it socially acceptable to engage in dysfunctional behavior by observing others act in a similar way. As a result, some customers attempt to replicate such behavior that sometimes comes in the form of fake complaints (Harris & Reynolds, 2003). In addition, overt opportunistic consumer behavior may affect the experience of other good-mannered consumers in close proximity and disrupt the service environment (Harris & Reynolds, 2009).

Ultimately, such firm compliance may initiate a snowball effect that results in sound financial damage and significant psychological strain on front line service employees (Baker et al., 2012). The latter is even more apparent when firms choose not to yield to a seemingly illegitimate complaint. Such oppositional behavior can influence front line service personnel on a deeper emotional level (Ben-Zur & Yagil, 2005). Harris and Reynolds (2003) reinforce this point by stating that deviant customer behavior may lead to feigned emotional display with the sole purpose of pacifying oppositional customers. The inevitable emotional dissonance (a clash of expressed emotions conformed to organizational norms with the true feelings) immediately leads to job dissatisfaction and emotional exhaustion (Abraham, 1999). Not complying with customer requests “on the spot” may prompt the customer to take the complaint up the chain of command while placing additional psychological strain on the service firm (Baker et al., 2012). Finally, the rising number of opportunistic claims may lead to deterioration of integrity and ethics within an organization’s cultural climate (Berry & Seiders, 2008). The central tenets of customer orientation philosophy do not highlight the occasional difference in handling various complaints; thus, detecting and dealing with illegitimate complaints may signify to front line personnel certain insincerity related to the foundations of corporate culture (Baker et al., 2012). This, in turn, may lead to reduced tolerance of employees toward consumer complaints of both a legitimate and opportunistic in nature (Kowalski, 1996).

As a result, frontline employees’ perceived legitimacy of customer requests becomes a crucial element in service delivery and recovery processes. As Bitner et al. (1990) point out, understanding employee decision making related to handling consumer

complaints is critical to firms if they want to manage service encounters more effectively. Employee's compliance decisions processes influence both the financial well-being of the firm (by preventing opportunistic customers to take advantage of the situation) as well as customer satisfaction levels (by identifying and complying with legitimate customer complaints with the appropriate service recovery strategies).

Perceived legitimacy of a complaint

Wang et al. (2012) stress the importance of employee's judgments of a complaint's legitimacy; the front line service representatives come in direct contact with customers and the employees' interpretation of customers' requests along with their interpretation of company policy is the driving force behind their reactions to consumer complaining. However, previous works on a perceived complaint's authenticity were solely focused on product returns leaving the service encounters beyond the scope of the extant literature. Indeed, within the services context, the issue becomes even more complex since the intangibility of services makes it more difficult to specify and adequately contract what is wanted (Gronhaug & Gilly, 1991). Furthermore, services may also be more difficult to standardize, and thus more negative deviations from what is expected may occur. As a result, it also becomes more challenging for employees to evaluate the legitimacy of customer complaints and judge whether the request is credible, desirable, and reasonable (Wang et al., 2012). Overall, it is more challenging for a front line employee to assess the legitimacy of a complaint when a customer demanding for a free night at a hotel to make up for the inconvenience due to the noise coming from the AC or uncomfortable pillows; whereas with a regular product return,

for instance, when a customer claims that a TV remote is not functional, the legitimacy of the claim can be easily checked on the spot.

According to Meyer and Zucker (1989), legitimacy or authenticity of a complaint represents the extent to which an employee perceives that a customer request complies with normative, cognitive, and regulative expectations. Deeply rooted in institutional theory, the legitimacy encompasses three dimensions: regulative, normative, and cognitive legitimacy (Wang et al., 2012). “Regulative legitimacy” refers to the conformance of the claim to established organizational complaint handling policies and procedures. “Normative legitimacy” refers to the perception whether the voiced complaint is acceptable according to commonly held social values and norms of appropriate behavior; finally, “cognitive legitimacy” addresses whether the complaint makes sense and whether the claim is appropriate. Ultimately, the employee must assess the legitimacy of the customer’s claim “according to the rationale the customer offers” (Wang et al., 2012, p. 73). Thus, the frontline service representatives remain crucial in evaluating and reacting to opportunistic claims from the customers.

2.3 THEORETICAL DEVELOPMENT

Given the potentially conflictful nature of service failures (Wirtz & McColl-Kennedy, 2010), firms tend to implement policies aimed at retaining a profitable customer relationship. Such actions have been defined as service recovery, which “mitigates and/or repairs the damage to a customer that results from the provider’s failure to deliver a service as designed” (Johnston and Hewa, 1997, p. 476). However, the efficiency of such recovery strategy to honor customer claims is sometimes questionable, as the recent studies indicate that 40% to 60% of customers reported

dissatisfaction with service recovery attempts (Tax & Brown, 1998a). Furthermore, as it was mentioned earlier, such policies can be open to abuse, since some claimants do not take a relatively passive role when it comes to the level of compensation sought (Rahim, 1983). Some customers may attempt to maximize the compensation they seek to obtain by taking advantage of opportunities as they arise, i.e. by recognizing an opportunity to take financial advantage of a company's service failure and recovery efforts (Berry & Seiders, 2008). These individuals voice complaints with the goal of receiving compensation even when the genuine service failure has not occurred, and the front line service employees are usually the first ones to encounter consumers when the latter express dissatisfaction (whether genuine or not) through complaining.

In many aspects, complaining with a purpose of claiming some form of compensation from the company represents persuasion attempts on the part of a consumer. Thus, in order to provide a thorough organizing framework for understanding employee's perception of complaint legitimacy, social psychology's treatment of the topic of persuasion attempts and attitude change seems to be relevant in identifying potential antecedents of the proposed construct.

The persuasion literature has long been used by personal sales and consumer behavior researchers (Wood, 2000). However, attitude change theories have been applied to face-to-face buyer-seller dyadic interactions mostly with the customer representing a target exposed to a persuasion attempt, i.e. when the consumer is the recipient of the message delivered by the agent (i.e. the sales people, the front line employees or even brands and slogans representing the message source) (e.g. Kirmani & Campbell, 2004; Ahluwalia, 2000; Ahearne et al., 1999; Laran et al., 2011). Although

bodies of research on persuasion in the context of bargaining and negotiation have not addressed counterpersuasion and have not thoroughly examined the context where the customer represents the message source while seeking to influence a marketer's behavior in various ways, Friestad and Wright (1994) highlight the generality and flexibility of their Persuasion Knowledge Model (PKM) by pointing out that an individual constantly moves back and forth between the roles of a target and an agent. PKM is concerned with how people develop and use persuasion knowledge to cope with persuasion attempts (marketers' advertising and selling attempts); however, since people often move rapidly and fluently between the roles of target and agent, it is logical to assume that during the service encounter front line employees may be viewed as targets and an opportunistic claim may be regarded as a persuasion attempt on behalf of a consumer who acts as a message source in this case. Thus, the persuasion literature may be helpful in identifying factors that are particularly important to the effectiveness of persuasion attempts on the part of a consumer.

PKM identifies target as an individual for whom a persuasion attempt is intended; agent is referred to someone whom a target views being responsible for designing and constructing a persuasion attempt (Friestad & Wright, 1994). Both target and agent possess some degree of contextual topic and persuasion knowledge, as well as knowledge of each other. In a given persuasion episode which conceptually resembles a customer complaint encounter, persuasion attempt is defined as "a target's perception of an agent's strategic behavior in presenting information designed to influence someone's beliefs, attitudes, decisions, or actions" (Friestad & Wright, 1994, p. 2). It is worth to note that such strategic behavior is not limited to what the agent defines as "the

message” but it also includes the target’s perceptions of how and why the agent has designed, constructed and delivered the observable message. As such, an actual complaint is a merely directly observable part of an agent’s behavior; peripheral or heuristic cues are an equally important part of the constructed persuasion attempt that simplify the process of deciding of whether or not to believe the message (Petty & Cacioppo, 1986).

Indeed, Whiting et al. (2012) note that the effectiveness of persuasion attempts depends not only on the message variables that reflect the characteristics of the persuasive message itself; in addition, there are distinct categories of heuristic cues to be considered: source, context, and receiver variables. Source variables refer to the characteristics of the individual who is constructing a persuasion attempt; context variables are concerned with the peculiarities of the environment in which the message is delivered; finally, receiver factors are the characteristics of a target of persuasion attempt (O’Keefe, 1989). As a result, the proposed conceptual model draws on source, context and receiver factors that have been identified in the persuasion literature to influence the target’s behavior in various ways and suggests three bundles of antecedents important to shaping employee’s perception of complaint’s legitimacy: customer factors, employee factors, and situational factors.

{Insert Figure 1 about here}

2.4 CONCEPTUAL MODEL AND PROPOSITIONS

Perceived Source Credibility

It has long been established in the personal selling and social psychology literature that a highly credible source normally leads to more behavioral compliance

than a source that has low credibility dimensions (e.g. Gangloff, 1980; Mugny et al., 2000). The degree of perceived source credibility affects target's intentions to use suggestions made by the source on improving performance and the compliance or rejection of the suggestions from the source (Pornpitakpan, 2004). Overall, quite a few scholars have reinforced the notion that source credibility has a direct effect on persuasion process (e.g. Manfreda & Bright, 1991; Ross, 1973).

As past studies indicate, various dimensions of source credibility (attractiveness, expertise, trustworthiness and others) may have differential weights (McGinnies & Ward, 1980). In a comprehensive review on the persuasiveness of source credibility, Pornpitakpan (2004) has found that perceived expertise and trustworthiness induced the most opinion change; yet, trustworthiness has been shown to be more impactful than expertise. Expertise refers to the extent to which a speaker is perceived to be capable of making correct assertions; trustworthiness concerns the degree to which a target perceives the assertions made by an agent as valid claims (Hovland et al., 1953).

The majority of scholarly works in marketing have examined the phenomenon of source credibility and validity of its dimensions from the consumer perspective where the firm and its agents (sales people, frontline employees or other service workers) were commonly viewed as a message source. However, the expertise dimension of the source credibility may be less relevant when a customer serves as the source of persuasion intent. As O'Keefe and Shepherd (1989) point out, complaints are complex messages that include an identity component encoded within the surface message; as a result, voicing a complaint obliges the customer to defend both the substance of the message and the identity aspect (Reed, 2000). Thus, in a service encounter where a complainant

serves as a message source, expertise as a dimension of the source credibility may bear little weight since the employee is aware of the subjective nature of the expressed dissatisfaction.

Trustworthiness, on the other hand, may have a more pronounced impact on shaping employee's complaint legitimacy perceptions. As McAllister (1995) points out, more trustworthy sources are generally more likeable than untrustworthy sources since trust is a vital factor in shaping the interpersonal liking. Thus, if the employees view the customer as trustworthy, they should develop greater positive affective regard for that individual than for those customers who are low in this dimension of source credibility (Whiting et al., 2012); such level of liking leads the front line employees to evaluate customer behavior more favorably. As a result, employees should be more likely to view customer complaining as being legitimate and constructive. Since the employee must judge the legitimacy of the customer's claim according to the rationale the customer offers (Wang et al., 2012), levels of customer trustworthiness should directly impact employee's judgments on whether the complaint makes sense, i.e. his perceptions of complaint's cognitive legitimacy:

P₁: The employee's perceptions of the customer's trustworthiness are positively related to the employee's perceptions of the complaint's cognitive legitimacy.

In addition to customer trustworthiness, Krapfel (1988) has identified customer interaction style (or communication style) and physical appearance as the main source factors in persuasive communication situations analogous to the merchandise return setting. Wang et al. (2012) point out that such product return requests "conceptually resemble a service failure or customer complaint encounter" (Wang et al., 2012, p. 70). Thus, constructs such as customer communication styles as well as physical appearance

frequently used in predicting buyer-seller dynamics are also valid variables worthy of researchers' attention in a service setting.

Richins (1983) outlined two consumer interaction styles, assertion and aggression, thought to be particularly relevant in buyer-seller dyads. Assertion refers to employing a comfortable expression of self-interest, without infringement on other; aggression, on the other hand, is described as the behavior delivering unpleasant stimuli, commonly referred to as being rude or obnoxious. In the context of an employee-customer interaction, assertive behavior refers to the employee's perception that a customer interacts with the front line representative in a warm and friendly manner. In contrast, aggressive style entails emphasized eye contact, vocal loudness, and vocal fluency, as well as message intensity (Krapfel, 1988). Employees perceive such behavior as an attempt on behalf of the customer to control or dominate the interaction (Wang et al., 2012). Since perceptions of appropriateness of various communication styles are deeply rooted into commonly held social values and norms of acceptable behavior (Sanchez-Burks et al., 2003), the degree to which different consumer interaction styles conform to such norms shapes the employee's perceptions of normative legitimacy of customer complaint.

Drawing from emotional contagion theory, there is a direct link between employee and customer that is maintained by affective transfer during interpersonal contact. Ma and Dube (2011) reinforce the emotional interdependence of both parties, i.e. each party of the client-service provider dyad influences other party's behavior. Furthermore, Webster (2005) finds that a customer evaluates an employee with a more affiliative style more favorably, whereas an employee exhibiting more dominance

receives less favorable customer evaluations (Korsch & Negrete, 1972). Given the dyadic, interactive nature of customer-employee encounters, Wang et al. (2012) have found strong empirical support that the prior findings also work in reverse: that is, the employee who perceives that a customer is being friendly and warm is more likely to comply with the customer's request. It is also very likely that such positive affective transfer may result in a more favorable judgment of the complaint's legitimacy, i.e. it may allow the employee to resolve the claim to the full customer satisfaction more easily. Thus, it is posited that:

P_{2a}: The employee's perceptions of the customer's assertive interaction style are positively related to the employee's perceptions of the complaint's normative legitimacy.

Combining the previously mentioned arguments with the theory of motivated reasoning (Kunda, 1990), aggression expressed by the customer tends to make an employee uncomfortable; as a result, the employee may be motivated to discount the positive aspects of the service encounter and even engage in biased, motivated reasoning. Thus, the employee may view the claim as less legitimate, since the legitimacy perceptions are invoked as a justification for their behaviors:

P_{2b}: The employee's perceptions of the customer's aggressive interaction style are negatively related to the employee's perceptions of the complaint's normative legitimacy.

Apart from the interaction styles, appearance tends to be another salient source factor in persuasive communication situations (Krapfel, 1988). It has long been established in personal selling literature that higher physical attractiveness levels of the sales representative produce more favorable consumer attitude towards the advertised product and positively impact the sales force performance (e.g. Ahearne et al., 1999; Kang & Herr, 2006). Studies of source credibility have also found physical appearance

to be more important in some situations than various dimensions of source credibility such as perceived expertise (Norman, 1976; Debevec & Kernan, 1984). Given the inability to gather all relevant information due to the time constraints and other factors associated with speedy and efficient service delivery, front line employees often regard customer appearance as an important message characteristic that serves as a peripheral cue while attempting to fill cognitive gaps arising from a lack of complete information during the service encounter. As Krapfel (1988) points out, inherent physical attractiveness cannot be altered; however, customers can significantly alter employees' perceptions by style of dress, use of cosmetics, and wearing of jewelry (Solomon, 1981; Forsythe et al., 1985). In short, non-verbal elements of the face-to-face service encounter may at times dominate verbal elements, especially when the customer's tone is very aggressive or even hostile:

P₃: The more presentable and neat (as it is perceived by an employee) customer appearance will lead to higher levels of perceived complaint's normative legitimacy.

Service Failure Severity and Complaint's Legitimacy

Babcock and Loewenstein (1997) emphasize that the ambiguity associated with what constitutes a fair compensation enables a self-serving interpretation. The severity of a service failure can equally serve as a barometer or an alleged "objective criterion" for both customers to voice a complaint and for employees to assess a complaint's authenticity. Thøgersen et al. (2009) suggest that this seriousness of the perceived loss is a strong predictor of consumer complaint behavior, "a rational response based on serious evaluation of seriousness of the defect or deficiency" (Thøgersen et al., 2009, p. 775). Similarly, an employee can use the perceived severity of service failure as a justification for customer complaining behaviors. Furthermore, the frontline employees may use such

customer rationale to ensure that the request fits with the company's organizational policies and procedures. Such policies and procedures are important since they dictate what behaviors are appropriate for employees to engage in (Cialdini and Trost, 1998). During a service encounter, such organizational norms refer to the common practice of handling a customer complaint given the magnitude of the service failure. Thus, it is posited that perceived conformance of the complaint to established corporate service recovery procedures is the driving force behind employee's judgments of complaint's regulative legitimacy:

P₄: The more severe the service failure experienced, the higher the perceived legitimacy of the complaint will be.

Legitimacy Perceptions, Employee Characteristics and Compliance Outcome

Wang et al. (2012) urges scholars to further examine the role of request legitimacy in employees' compliance decisions while pointing out the prevalence of inconsistent findings and weak measurement issues in this area. Even though very few scholars examined the direct effect of legitimacy on actual behavior, in their study of product return episodes, Wang et al. (2012) have found a strong support for the basic logic that when an employee questions the request legitimacy, he or she is less likely to comply with the request. In line with this reasoning and past research, it is posited that the employee's overall judgment of complaint's legitimacy is also the driving force behind their reactions to customer complaints and that such relationship should hold in the service settings:

P₅: The employee's perceptions of (a) cognitive, (b) normative, and (c) regulative legitimacy are positively related to his or her likelihood of complying with the complaint.

Given the intangible nature of services, organizations may have difficulties standardizing their offerings. As a result, companies may also face many challenges while attempting to outline operation procedures on how to handle complaints given the variance possible (Hartline & Ferrell, 1996). Thus, the compliance process is largely discretionary with regard to employee's interaction with a customer involving a dubious complaint (Blancero & Johnson, 2001). Hartline and Ferrell (1996) identify employee factors as important drivers of such discretionary compliance process. Furthermore, Wang et al. (2012) suggest that the service provider-customer dyadic interaction affects how the employee handles the complaint as well as the employee's perceptions of specific request and its legitimacy; after synthesizing the extant literature, customer orientation and conflict avoidance have been identified as two important individual difference variables.

Customer orientation is defined as an "employee's tendency or predisposition to meet customer needs in an on-the-job context" (Brown et al., 2002, p. 111). Numerous studies have demonstrated empirical support for positive relationship between customer orientation and customer satisfaction (e.g. Reynierse & Harker, 1992), worker productivity (Brown et al., 2002), and job responses. Brown et al. (2002) point out that employees with higher levels of customer orientation are more intrinsically motivated to make customers happy and to go extra mile to meet their needs. Since the employees with higher customer orientation will work harder to please the customer, they may be reluctant to call into question the legitimacy of the complaint and even trigger cognitive processes to invoke legitimacy perceptions:

P₆: The higher the levels of customer orientation are, the more likely an employee is to comply with the request regardless of his legitimacy perceptions of the complaint.

Conflict avoidance has been extensively studied by psychologists, and is defined as an attempt to guard the self from conflict, disapproval, and negative attention (Rahim, 1983). People with high levels of conflict avoidance tend to preserve rapport and smooth relationships with others (Schroeder, 1965). Wang et al. (2012) have linked individual employees' conflict avoidance with their handling of customer complaints. The findings indicate that there is a positive relationship between employees' conflict avoidance and their compliance process in handling "fuzzy" requests. Following this logic, employees with higher levels of conflict avoidance may try to avoid arguments with customers where possible; thus, the employees may tend to comply with a customer complaint even when they perceive the claim as illegitimate simply because they prefer not to assert themselves to preserve rapport and smooth relationships with others:

P7: The higher the levels of conflict avoidance are, the more likely an employee is to comply with the request regardless of his legitimacy perceptions of the complaint.

2.5 CONCLUSION

The issue of opportunistic claiming behavior has become increasingly relevant over the past few years. Given the narrow profit margins and fierce competition, more and more customers involve in different types of dysfunctional behavior (Reynolds & Harris, 2005). Firms can no longer tolerate fraudulent complaints and illegitimate merchandise returns. The present conceptual work has attempted to shed the light on the crucial aspect of illegitimate complaining, that is, the legitimacy of such complaints itself as it is perceived by employees.

Given the rising number of fraudulent returns and opportunistic complaints both in merchandise and service settings, this work has conceptualized a customer complaint

as a persuasion attempt on behalf of the customer. From the theoretical perspective, this has been the first attempt within the marketing discipline to apply persuasion theories to situations where firm employees serve as a target of persuasion attempts; as a result, empirical evidence is needed to test the propositions above whether the persuasion models work in reverse, i.e. where a customer plays no longer a role of a target but rather acts as a message source.

Although the front line employees play a crucial role in determining complaints' authenticity, several research questions have been left unanswered by the present state of the literature. First, the role of the management team should be thoroughly explored when it comes to "detecting" whether the customer complaint is legitimate or not. Second, the company overall philosophy and the organizational levels of customer orientation as well as the delicate nature of complaint's authenticity may force many firms to disregard opportunistic claims and passively view it as a "necessary evil" rather than to invoke any justice perceptions and confront the customers. Third, it is not uncommon for a customer to insist on using an objective criterion to settle the dispute with a company, such as a third party in the face of various federal agencies and complaint settlement bureaus. Thus, it can prove to be useful to examine the third party's influence on the dyadic consumer-service provider interaction whenever clients address those institutions to seek redress. Finally, customers, being the focal point of attention and a source of voicing a complaint, can provide some useful insights and shed the light on what triggers consumers to claim in opportunistic manner. Is it cognitive or affective antecedents? Is it an urgent feeling to seek for revenge, fairness or merely for monetary gains? Thorough qualitative research as well as a deep theoretical foundation

from psychology literature may help researchers to take a closer step towards developing a consumer typology for natural inclination for opportunistic or illegitimate claims based on personality traits.

Such typology may potentially have some sound practical implications. Given sophisticated advances in technology and database management, companies can “blacklist” customers who abuse the generous service recovery or merchandise policies based on purchasing history and their psychological profiles. Also, companies may reconsider overly generous service guarantee or merchandise return policies in attempt to find the most efficient marketing strategy. After all, handling opportunistic claims more effectively may prove to be that elusive “holy grail” of sustainable competitive advantage in the future of ever intense and fierce competition.

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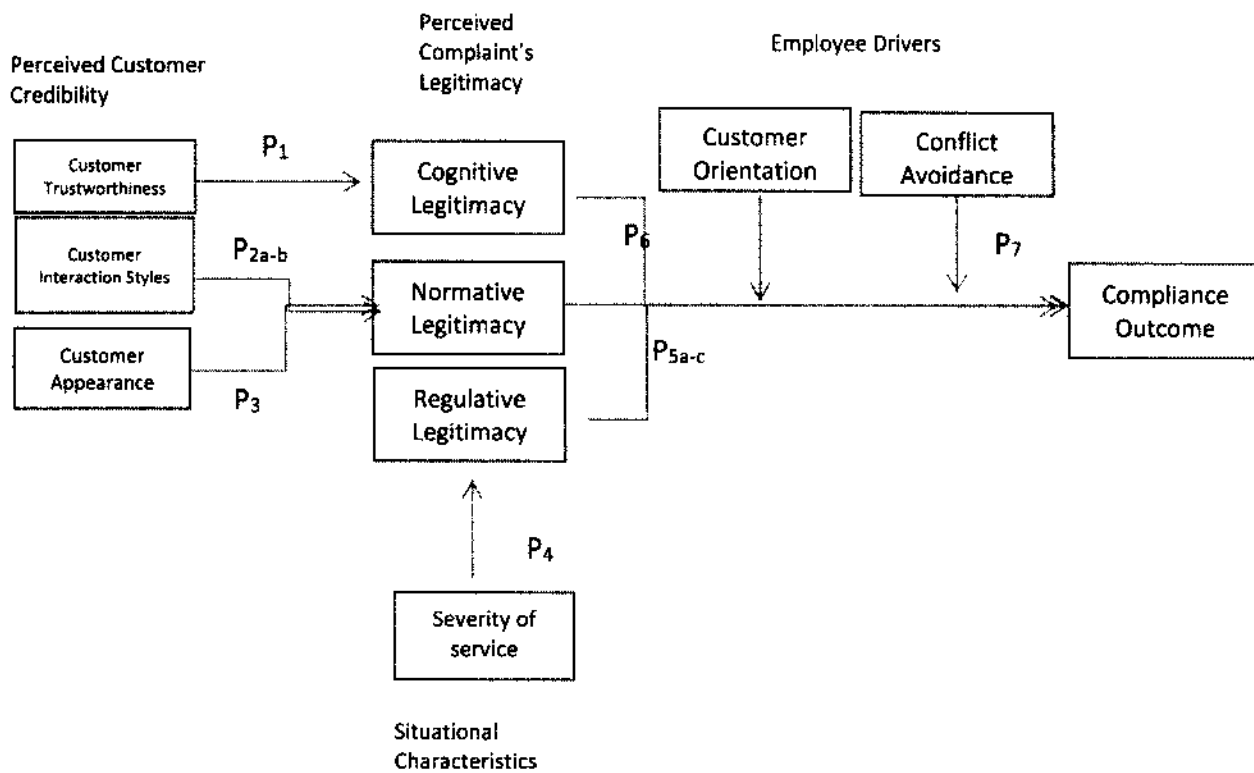
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2.7 TABLES AND FIGURES

Figure 2.1 Conceptual Model



CHAPTER 3

ESSAY 2: IS THE CUSTOMER ALWAYS RIGHT? PERCEIVED CLAIM LEGITIMACY AND FACTORS AFFECTING EMPLOYEE JUDGMENTS DURING THE SERVICE ENCOUNTER

3.1 ABSTRACT

The purpose of this paper is to advance our understanding of the opportunistic claiming behavior by examining complaint legitimacy as it is perceived by frontline employees. Determining complaint authenticity is a crucial step towards detecting opportunistic claims since the employees must judge the legitimacy of the customer's complaint according to the rationale offered by the customer. Given the rising number of fraudulent returns and opportunistic complaints both in merchandise and service settings, this work has conceptualized a customer complaint as an attempt at persuasion on behalf of the customer. From the theoretical perspective, the major contribution to the marketing discipline is the direct application of persuasion theories to situations where firm employees and not the consumers serve as a target of persuasion attempts, whereas customers are regarded as a message source while voicing a complaint. The proposed model draws on source, context and receiver factors that have been identified in the persuasion literature to influence the target's behavior in various ways and suggests three bundles of antecedents important to shaping employee's perception of complaint's legitimacy: customer factors, employee factors, and situational factors.

3.2 INTRODUCTION

Scholars in both psychology and marketing have long been fascinated with the phenomenon of complaining (e.g., Kowalski, 1996; Oliver, 1997; Kim, Kim, Im & Shin, 2003; Thøgersen, Juhl & Poulsen, 2009). Voicing complaints often becomes an effective tool to express dissatisfaction with various aspects of people's lives and their environments (Kowalski, 1996). From a marketing standpoint, the investigation of factors influencing customer satisfaction and dissatisfaction with products, consumer intentions to express this dissatisfaction in the form of complaints and marketers' responses to such complaints have been thoroughly explored in the marketing literature (e.g., Fornell & Westbrook, 1984; Oliver, 1997; Chu, Gerstner & Hess, 1998).

While the extant literature on customer complaining behavior has provided valuable insights into antecedents, processes, and dynamics of the phenomenon, the majority of scholarly works is based on the assumption that customers act in a good-mannered and functional way, i.e. where consumers complain with the sole purpose of expressing a genuine dissatisfaction with a product or service (Reynolds & Harris, 2009). While the majority of consumer complaints fall into this category and appear reasonable for employees or the firm to adapt the service to address these requests, some complaints may "greatly deviate from the normal service scope and employee expectations" (Wang, Beatty & Liu, 2012, p. 69). As Wirtz and McColl-Kennedy (2010) point out, some customers may deliberately take advantage of the firm with an ultimate goal to gain what they can, rather than what they are entitled to. Such behavior of unreasonable claiming has been coined as opportunistic (Ping, 1993).

Fisk et al. (2010) suggest that such behavior is not uncommon and the importance of this phenomenon should not be underestimated. Kim (2008) points out that front line employees frequently encounter customers who are perceived as overly demanding making unreasonable claims or requests. The company's compliance with such opportunistic claims may financially damage the firm and undermine its competitive stance while encouraging such behavior and keeping dishonest customers among its true valuable patrons. In essence, squeezed profit margins along with extremely generous return policies combined with excessive service recovery efforts to retain customers at all costs deem this topic worthy of attention (Baker, Magnini & Perdue, 2012).

Investigation of opportunistic claiming behavior has been largely focused on customer cheating or the making of unreasonable or fake complaints; researchers have investigated customer personality traits, attitudes toward complaining and cheating (e.g., Andreasen, 1988; Kim et al., 2003; Wirtz & Kum, 2004; Reynolds & Harris, 2009; Thøgersen et al., 2009) as well as firm factors such as its redress practices and the size and the length of its relationship with the customers (e.g., Harris & Reynolds, 2003; Wirtz and McColl-Kennedy, 2010; Baker et al., 2012). However, in addition to the organization and the consumer, Langeard et al. (1981) also identify the contact employee as the main participant in a service encounter. Indeed, the vital role of frontline employees in customer interaction episodes has long been recognized in the marketing literature (e.g., Bitner et al., 1990; Wang et al., 2012). Furthermore, in order to detect and prevent opportunistic complaints in the future, determining complaint authenticity becomes crucial; in most cases frontline employees are the first ones to encounter a complaining customer, and they must judge the legitimacy of the customer's claim

according to the rationale the latter offers (Wang et al., 2012). As such, one of the most important factors in social encounters involving a complaining episode is the complaint recipient's (i.e. frontline employee's) perception of the complaint's legitimacy (Kowalski, 1996).

Although previous studies highlight the importance of legitimacy in the context of product returns in retailing, the construct has been defined and operationalized rather simplistically (e.g. Krapfel, 1988; Autry et al., 2007). For instance, the evaluation of legitimacy perceptions by Resnik and Harmon (1983) was limited to posing a single direct question to the respondents, i.e. whether they believed certain consumer claims to be legitimate or not. The notable exception is the work by Wang et al. (2012) where the authors thoroughly operationalized the construct of complaint legitimacy and explored its impact on the actual employee's behavior in the context of consumer requests for returns. However, research on what shapes the employees' judgments of the complaint's legitimacy is still missing (Baker et al., 2012). As a result, the purpose of this paper is to contribute to the growing body of literature on dysfunctional customer behavior and elucidate a stronger foundation for the phenomenon of opportunistic claiming behavior by examining factors affecting frontline employees' judgments of the perceived legitimacy of consumer complaints. Since the majority of prior research has been focused on retail product returns, this paper extends the extant literature by centering on the phenomenon within service settings (i.e. the construct of complaint legitimacy and employees' compliance with opportunistic claims are examined in a service recovery context).

3.3 LITERATURE REVIEW

Opportunistic claiming in a services context

The context of services adds yet another layer of complexity to the study of opportunistic claiming behavior since it becomes less clear as to what actually constitutes an illegitimate complaint: given the intangible nature of services, organizations may have difficulties standardizing their offerings and accurately gauging the extent of opportunistic customer claiming. As a result, companies may also face many challenges while attempting to outline operation procedures on how to handle complaints given the variance possible (Hartline & Ferrell, 1996).

Indeed, while it is crucial to provide fair compensation to customers who experience a genuine service failure (Tax et al., 1998a), perceived damages are merely subjective and different systems and policies to handle complaints “may be open to abuse” (Wirtz & McColl-Kennedy, 2010, p. 1). Furthermore, some customers are not passive when it comes to the level of compensation sought (Rahim, 1983). Recent research has indicated that “norm-breaking deviant behaviors not only present but are also commonplace” (Baker et al., 2012, p.301). In essence, Berry and Seiders (2008) assert that some customers may attempt to maximize the compensation they seek by recognizing an opportunity to take financial advantage of a company’s service failure and its recovery efforts.

The compliance outcome associated with an opportunistic complaint may yield a wide range of negative ramifications for a service provider (Baker et al., 2012). If an

employee honors a potentially illegitimate complaint, it will lead to obvious financial costs of redress incurred by the firm. Given the intense competition and minimal profit margins in the service sector, companies cannot afford to undermine their competitive stances by mishandling illegitimate complaints. In addition, yielding to an opportunistic complaint may encourage customers to engage in the same complaint behavior in the future (Reynolds & Harris, 2005). Furthermore, as Kowalski (1996) suggests, voicing opportunistic complaints may also be contagious since other customers have the opportunity to watch and learn from the behavior of other people through continuous interactions. As Bandura (1997) points out, people sometimes find it socially acceptable to engage in dysfunctional behavior after observing others acting in a similar way. As a result, some customers attempt to replicate such behavior which can manifest in the form of fake complaints (Harris & Reynolds, 2003). In addition, overt opportunistic consumer behavior may affect the experience of other good-mannered consumers in close proximity and disrupt the service environment (Harris & Reynolds, 2009).

Ultimately, such firm compliance may initiate a snowball effect that could result in financial damage and significant psychological strain on front line service employees (Baker et al., 2012). The latter is even more apparent when firms choose not to yield to a seemingly illegitimate complaint. Such oppositional behavior can influence front line service personnel on a deeper emotional level (Ben-Zur & Yagil, 2005). Harris and Reynolds (2003) reinforce this point by stating that deviant customer behavior may lead to feigned emotional displays with the sole purpose of pacifying oppositional customers. The inevitable emotional dissonance leads to job dissatisfaction and emotional exhaustion (Abraham, 1999). Not complying with customer requests “on the spot” may prompt the

customer to take the complaint up the chain of command while placing additional psychological strain on the service firm (Baker et al., 2012).

Finally, the rising number of opportunistic claims may lead to deterioration of integrity and ethical behavior within an organization's cultural climate (Berry & Seiders, 2008). The central tenets of a customer orientation philosophy do not highlight the occasional difference in handling various complaints; thus, detecting and dealing with illegitimate complaints may signify to front line personnel certain insincerity related to the foundations of corporate culture (Baker et al., 2012). This, in turn, may lead to a reduced tolerance of employees toward consumer complaints whether legitimate or opportunistic (Kowalski, 1996).

Given the range of negative consequences for honoring opportunistic complaints, Blancero & Johnson (2001) note that the compliance process is largely discretionary with regard to employee's interactions with customers involving dubious complaints. As Bitner et al. (1990) suggest, understanding employee decision making regarding handling consumer complaints is critical to firms if they want to effectively manage service encounters. Employees' compliance decision processes influence both the financial well-being of the firm (by preventing opportunistic customers from taking advantage of the situation) as well as customer satisfaction levels (by identifying and complying with legitimate customer complaints with the appropriate service recovery strategies). As a result, frontline employees perceive legitimacy of customer requests as a crucial element in service delivery and recovery processes.

Perceived Legitimacy of a Complaint

Wang et al. (2012) stress the importance of employee's judgments of a complaint's legitimacy. Front line service representatives come in direct contact with customers and the employees' interpretation of customers' requests along with their interpretation of company policy affect their reactions to consumer complaining. However, previous works on how to handle consumer complaints involving frontline employees were predominantly focused on managerial responses to customer claims (e.g., Resnik & Harmon, 1983), frontline employees' attitudes towards customer service and satisfaction (e.g., Bitner, Booms & Mohr, 1994; Susskind, Kacmar & Borchgrevnik, 2003) employee adaptiveness (e.g., Gwinner et al., 2005) and the impact of empowerment on frontline service personnel (e.g., Chebat & Kollias, 2000). Furthermore, the scarce empirical works on perceived complaint authenticity were solely focused on product returns leaving service encounters beyond the scope of the extant literature (e.g., Krapfel, 1983; Autry et al., 2007; Wang et al., 2012).

Indeed, within the services context, the issue becomes even more complex since the intangibility of services makes it more difficult to specify and adequately contract what is expected (Gronhaug & Gilly, 1991). Furthermore, services may also be more difficult to standardize, and thus more negative deviations from what is expected may occur. As a result, it also becomes more challenging for employees to evaluate the legitimacy of customer complaints and judge whether the request is credible, desirable, and reasonable (Wang et al., 2012). Overall, it is more challenging for a front line employee to assess the legitimacy of a complaint when a customer is demanding a free night at a hotel to make up for the inconvenience suffered due to uncomfortable pillows as opposed to a regular product return, for instance, involving a customer stating that a

TV remote is not functional where the legitimacy of the claim can be easily checked on the spot.

According to Meyer and Zucker (1989), legitimacy or authenticity of a complaint represents the extent to which an employee perceives that a customer request has legitimacy across three dimensions: regulative, normative, and cognitive legitimacy (Wang et al., 2012). Regulative legitimacy refers to the conformance of the claim to established organizational complaint handling policies and procedures. Normative legitimacy refers to the perception of whether the voiced complaint is acceptable according to commonly held social values and norms of appropriate behavior and finally, cognitive legitimacy addresses whether the complaint makes sense and whether the claim is appropriate. Ultimately, the employee must assess the cognitive legitimacy of the customer's claim "according to the rationale the customer offers" within a service setting (Wang et al., 2012, p. 73). Thus, cognitive legitimacy represents the central construct of this study and frontline service representatives remain crucial in evaluating and reacting to opportunistic claims from the customers.

3.4 THEORETICAL BACKGROUND AND HYPOTHESES DEVELOPMENT

In many aspects, complaining with the purpose of claiming some form of compensation from the company represents attempts at persuasion on the part of a consumer. Similar to a sales representative trying to close a sale or a marketer attempting to highlight the unique value proposition for a potential consumer, customers need to provide some reasonable and sound argumentation to the service provider as to why the latter should honor the claim and provide patrons with the level of compensation they

seek for redress. Thus, in order to provide a thorough organizing framework for understanding an employee's perception of complaint legitimacy, social psychology's treatment of the topic of persuasion attempts and attitude change seems to be relevant in identifying potential antecedents of the proposed construct.

The persuasion literature has long been used by personal sales and consumer behavior researchers (Wood, 2000). The major assumption of this research stream is that a customer generally interprets and copes with marketer's sales presentations and advertising; as such, attitude change theories have been applied to face-to-face buyer-seller dyadic interactions mostly with the customer representing a target exposed to a persuasion attempt, i.e. when the consumer is the recipient of the message delivered by the agent (i.e. the sales people, the front line employees or even brands and slogans representing the message source) (e.g. Kirmani & Campbell, 2004; Ahluwalia, 2000; Ahearn et al., 1999; Laran et al., 2011).

Persuasion literature in the context of bargaining and negotiation has not addressed counter persuasion and has not thoroughly examined the context where the customer represents the message source while seeking to influence a marketer's behavior in various ways (Wood, 2000). However, Friestad and Wright (1994) posit that an individual constantly moves back and forth between the roles of a target and an agent. Their Persuasion Knowledge Model (PKM) is concerned with how people develop and use persuasion knowledge to cope with persuasion attempts (e.g., marketers' advertising and selling attempts). However, Friestad and Wright (1994) highlight the generality and flexibility of their conceptual model by pointing out that some consumers may also try to

bargain or seek other ways to influence a marketer's behavior. Since people often move rapidly and fluently between the roles of target and agent, it is logical to assume that during the service encounter front line employees may be viewed as targets and a customer claim may be regarded as a persuasion attempt on behalf of a consumer who acts as a message source. Thus, the persuasion literature may be helpful in identifying factors that are particularly important to the effectiveness of persuasion attempts on the part of a consumer.

PKM identifies the target as an individual for whom a persuasion attempt is intended, and the agent is referred to as someone whom a target views being responsible for designing and constructing a persuasion attempt (Friestad & Wright, 1994). Both target and agent possess some degree of contextual topic and persuasion knowledge, as well as knowledge of each other. In a given persuasion episode, which conceptually resembles a customer complaint encounter, persuasion attempt is defined as "a target's perception of an agent's strategic behavior in presenting information designed to influence someone's beliefs, attitudes, decisions, or actions" (Friestad & Wright, 1994, p. 2). It is worth noting that such strategic behavior is not limited to what the agent defines as "the message" but it also includes the target's perceptions of how and why the agent has designed, constructed and delivered the observable message. As such, an actual complaint is a merely directly observable part of an agent's behavior, and peripheral or heuristic cues are an equally important part of the constructed persuasion attempt that simplifies the process of deciding the credibility of the message (Petty & Cacioppo, 1986).

Indeed, Whiting et al. (2012) note that the effectiveness of persuasion attempts depends not only on the message variables that reflect the characteristics of the persuasive message itself, but also, there are distinct categories of heuristic cues to be considered: source, context, and receiver variables. Source variables refer to the characteristics of the individual who is constructing a persuasion attempt, context variables are concerned with the peculiarities of the environment in which the message is delivered, and finally, receiver factors are the characteristics of a target of the persuasion attempt (O'Keefe, 1990). As a result, the proposed model draws on source, context and receiver factors that have been identified in the persuasion literature to influence the target's behavior in various ways and suggests three bundles of antecedents important to shaping an employee's perception of a complaint's legitimacy: customer factors, employee factors, and situational factors.

{Insert Figure 1 about here}

Perceived Source Credibility

It has long been established in the personal selling and social psychology literature that a highly credible source leads to more behavioral compliance as compared to a source that has low credibility dimensions (e.g., Gangloff, 1980; Mugny et al., 2000). The degree of perceived source credibility affects the target's intentions to use suggestions made by the source to improve performance and the compliance or rejection of the suggestions from the source (Pornpitakpan, 2004). Overall, several scholars have reinforced the notion that source credibility has a direct effect on the persuasion process (e.g., Manfredi & Bright, 1991; Ross, 1973).

As past studies indicate, various dimensions of source credibility (attractiveness, expertise, trustworthiness and others) may have differential weights (McGinnies & Ward, 1980; Pornpitakpan, 2004). In a comprehensive review on the persuasiveness of source credibility, Pornpitakpan (2004) has found that perceived expertise and trustworthiness induce the greatest change in opinion; yet, trustworthiness has been shown to be more impactful than expertise. Expertise refers to the extent to which a speaker is perceived to be capable of making correct assertions; while trustworthiness concerns the degree to which a target perceives the assertions made by an agent as valid claims (Hovland et al., 1953).

Research in marketing has examined the phenomenon of source credibility and validity of its dimensions from the consumer perspective where the firm and its agents (sales people, frontline employees or other service workers) were commonly viewed as a message source (e.g., Kirmani & Campbell, 2004; Ahluwalia, 2000; Kirmani & Zhu, 2007; Kang & Herr, 2006; Ze Wang et al., 2012). However, the expertise dimension of source credibility may be less relevant when a customer serves as the source of persuasion intent. As O'Keefe and Shepherd (1989) point out, complaints are complex messages that include an identity component encoded within the surface message, and, as a result, voicing a complaint obliges the customer to defend both the substance of the message and the identity aspect (Reed, 2000). Thus, in a service encounter where a complainant serves as a message source, expertise as a dimension of source credibility may bear little weight since the employee is aware of the subjective nature of the expressed dissatisfaction.

Trustworthiness, on the other hand, may have a more pronounced impact on shaping an employee's complaint legitimacy perceptions. As McAllister (1995) points out, more trustworthy sources are generally more likeable than untrustworthy sources since trust is a vital factor in shaping interpersonal liking. Thus, if the employee views the customer as trustworthy, he or she will develop greater positive affective regard for that individual than for those customers who are low in this dimension of source credibility (Whiting et al., 2012); such level of liking will lead the front line employees to evaluate customer behavior more favorably. As a result, employees should be more likely to view customer complaining as being legitimate and constructive. Since the employee must judge the legitimacy of the customer's claim according to the rationale the customer offers (Wang et al., 2012), levels of customer trustworthiness should directly impact employee's judgments on whether the complaint makes sense, i.e. his perceptions of the complaint's cognitive legitimacy. As a result, the following hypothesis is posited:

H₁: In a services setting, the employee's perceptions of the customer's trustworthiness are positively related to the employee's perceptions of the complaint's cognitive legitimacy.

In addition to customer trustworthiness, attractiveness tends to be another salient source factor in persuasive communication situations (Krapfel, 1988; Ohanian, 1990). Krapfel (1988) has identified customer physical appearance as the main source factor in persuasive communication situations analogous to the merchandise return setting. Wang et al. (2012) point out that such product return requests "conceptually resemble a service failure or customer complaint encounter" (Wang et al., 2012, p. 70). Thus, constructs such as physical appearance frequently used in predicting buyer-seller dynamics will also be valid variables in a service setting.

It has long been established in the personal selling literature that greater physical attractiveness levels of the sales representative produce more favorable consumer attitudes towards the advertised product and positively impact the sales force's performance (e.g., Ahearne et al., 1999; Kang & Herr, 2006). Studies of source credibility have also found physical appearance to be more important in some situations than various dimensions of source credibility, such as perceived expertise (Norman, 1976; Debevec & Kernan, 1984). Given the inability to gather all relevant information due to the time constraints and other factors associated with speedy and efficient service delivery, front line employees often regard customer appearance as an important message characteristic that serves as a peripheral cue while attempting to fill cognitive gaps arising from a lack of complete information during the service encounter. As such, physical attractiveness becomes an important cue in an individual's initial judgment of another person (Ohanian, 1990; Judge, Hurst & Simon, 2009). As Krapfel (1988) points out, inherent physical attractiveness cannot be altered; however, customers can significantly alter employees' perceptions by style of dress, use of cosmetics, and wearing of jewelry (Solomon, 1981; Forsythe et al., 1985). In short, non-verbal elements of the face-to-face service encounter may at times dominate verbal elements, especially when the customer's tone is very aggressive or even hostile. As a result, the following hypothesis is presented:

H₂: In a service setting, more attractive (as it is perceived by an employee) customer appearance will lead to higher levels of perceived complaint's cognitive legitimacy.

Service Failure Severity and Complaint Legitimacy

Babcock and Loewenstein (1997) emphasize that the ambiguity associated with what constitutes fair compensation enables self-serving interpretations. The severity of a service failure can equally serve as a barometer or an alleged “objective criterion” for both customers to voice a complaint and for employees to assess a complaint’s authenticity. Thøgersen et al. (2009) suggest that this seriousness of the perceived loss is a strong predictor of consumer complaint behavior, or “a rational response based on serious evaluation of seriousness of the defect or deficiency” (Thøgersen et al., 2009, p. 775). Similarly, an employee can use the perceived severity of the service failure as a justification for customer complaining behaviors. Furthermore, frontline employees may use such customer rationale to ensure that the request fits with the company’s organizational policies and procedures. Such policies and procedures are important since they dictate what behaviors are appropriate for employees (Cialdini and Trost, 1998). During a service encounter, such organizational norms refer to the common practice of handling a customer complaint given the magnitude of the service failure. Thus, it is posited that perceived conformance of the complaint to established corporate service recovery procedures is the driving force behind an employee’s judgments of a complaint’s legitimacy:

H₃: The more severe the service failure experienced, the higher the perceived legitimacy of the complaint will be.

Legitimacy Perceptions, Employee Characteristics and Compliance Outcome

Wang et al. (2012) urge scholars to further examine the role of request legitimacy in employees’ compliance decisions while pointing out the prevalence of inconsistent findings and weak measurement issues in this area. Even though very few scholars have

examined the direct effect of legitimacy on actual behavior, in their study of product return episodes, Wang et al. (2012) found strong support for the basic logic that when an employee questions the request legitimacy, he or she is less likely to comply with the request. In line with this reasoning and past research, it is posited that the employee's overall judgment of a complaint's legitimacy is also the driving force behind their reactions to customer complaints and that such a relationship should hold in service settings. As a result the following hypothesis is posited:

H₄: In a service setting, the employee's perceptions of cognitive legitimacy are positively related to his or her likelihood of complying with the complaint.

Given the intangible nature of services, organizations may have difficulties standardizing their offerings. As a result, companies may also face many challenges while attempting to outline operational procedures on handling complaints given the variance possible (Hartline & Ferrell, 1996). Thus, the compliance process is largely discretionary with regard to employee's interactions with a customer involving a dubious complaint (Blancero & Johnson, 2001). Hartline and Ferrell (1996) identify employee factors such as self-efficacy and commitment to service quality as important drivers of such a discretionary compliance process. Furthermore, Wang et al. (2012) suggest that the service provider-customer dyadic interaction affects how the employee handles the complaint as well as the employee's perceptions of a specific request and its legitimacy. Customer orientation and conflict avoidance have been identified as two important individual difference variables.

Customer orientation is defined as an "employee's tendency or predisposition to meet customer needs in an on-the-job context" (Brown et al., 2002, p. 111). Numerous

studies have demonstrated empirical support for a positive relationship between customer orientation and customer satisfaction (e.g. Reynierse & Harker, 1992), worker productivity (Brown et al., 2002), and various job responses. Brown et al. (2002) suggest that employees with higher levels of customer orientation are more intrinsically motivated to make customers happy and to go the extra mile to meet their needs. Since employees with higher customer orientation will work harder to please the customer, they may be reluctant to call into question the legitimacy of the complaint and even trigger cognitive processes to invoke legitimacy perceptions:

H5: In a service setting, the effects of employee's perceptions of cognitive legitimacy on his or her likelihood of complying with the complaint are stronger for the employee with higher levels of customer orientation.

Conflict avoidance has been extensively studied by psychologists, and is defined as an attempt to guard the self from conflict, disapproval, and negative attention (Rahim, 1983). People with high levels of conflict avoidance tend to preserve rapport and smooth relationships with others (Schroeder, 1965). Wang et al. (2012) have linked an individual employees' conflict avoidance with their handling of customer complaints. Their findings indicate that there is a positive relationship between an employees' conflict avoidance and their compliance process in handling dubious requests. Following this logic, employees with higher levels of conflict avoidance may try to avoid arguments with customers where possible; thus, the employees may tend to comply with a customer complaint even when they perceive the claim as illegitimate simply because they prefer not to assert themselves to preserve rapport and smooth relationships with others. As a result, the following hypothesis is offered:

H₆: In a service setting, the effects of employee's perceptions of cognitive legitimacy on his or her likelihood of complying with the complaint are stronger for the employee with higher levels of conflict avoidance.

3.5 METHODS

Sample and Data Collection

It is important to note that the employee's determination of a complaint's legitimacy is relevant only when front line employees are empowered to solve service issues without managerial intervention; thus, the sample of respondents was carefully prescreened to ensure that the final sample consists of employees who not only handle customer service complaints but also have sufficient competencies and authority to rectify service problems immediately after a customer complaint is voiced. As such, employees had to answer three screening questions in order to determine their eligibility for the present study: (1) Are you currently employed by a hotel/resort? (2) Is it a part of your job to handle customer complaints? (3) Are you authorized to rectify the service failure to the best of your abilities and customer satisfaction? In addition, Rogers and Michael (2009) suggest employing attention-checking questions in order to detect careless responding and prevent respondents from cheating in online surveys. After dropping incomplete and ineligible responses, the final sample consisted of 102 respondents.

Hotel employees were targeted as respondents since the hotel sector accurately reflects service settings and it is appropriate when it comes to investigating service encounters (Bitner et al., 1994). The frontline service employee panel from five hotels

(two from the major US tourist destination city on the West Coast and three from the East Coast respectively) was used for the data analysis.

The final sample data was collected using the critical incident technique, a systematic procedure for recording events and behaviors that are observed to lead to a certain outcome (Ronan & Latham, 1974); in this case, identifying legitimacy of a complaint and complying or not with a customer request.

Respondents were asked to recall past incidents involving a complaint about a service encounter. Then, the respondents were asked to classify customer complaints as legitimate or opportunistic (in order to aid respondents in identifying a fraudulent complaint episode, explanations of opportunistic claims were provided). Next, respondents were asked to assess the percentage of times they believe that the complaints they received belonged to either category (22.74% of the episodes fell within an opportunistic claim category). During the next phase, respondents were asked to recall a memorable incident falling into the opportunistic claim category. Recency of recalled episodes was controlled for at this stage by asking the respondents to recall the service incident within the past three months.

The respondents were also asked to provide either direct monetary figures or an estimated monetary value of the compensation sought in cases where the customer was trying to gain non-financial redress (e.g., a free breakfast or an upgrade to a suite due to inconvenience) (54.9% of respondents reported the amount of compensation sought to be between \$20 and \$100; while 44.1% indicated the range between \$100 and \$300; none of the subjects encountered an opportunistic claim for more than \$300).

Variables and Measures

Appendix A presents the established or adapted scales measuring the constructs relevant to the study. A pretest with a convenience sample of hotel employees provided a thorough assessment of the scales and methodology used in the main study. All items contain multiple manifestations except for the compliance outcome. As Bergkvist and Rossiter (2007) suggest, a single item is justified because the concept is concrete and represents the idea effectively.

The internal consistency and item appropriateness of constructs were validated by Cronbach's Alpha ranging from .75 to .97 (Appendix A). To assess the measurement properties of primary variables, all of them were submitted to a confirmatory factor analysis in order to test discriminant and convergent validity of the constructs. Discriminant validity was assessed with the variance extracted test proposed by Fornell and Larcker (1981). An initial test of the model did not reflect an acceptable fit, so the model was reduced to eliminate intercorrelations between construct indicators (Gerbing & Anderson, 1988; Hoyle, 1995). This process was stopped when further respecification would have reduced some constructs to a single indicator; as a result, a good measurement model fit was achieved (with Chi-square=47.65, df = 13; RMSEA=.08; CFI=.96). The retained measures can be found in Appendix A.

3.6 RESULTS

Multivariable regression analysis was employed to estimate cognitive legitimacy levels for a set of customer-specific determinants and situational characteristics. In order

to conduct the analysis, summated scales of the latent variables were divided by the number of items composing the scale. Hypothesis H₁ explores whether customer trustworthiness levels as perceived by employees affect the latter judgment of the cognitive legitimacy of the complaint. Hypotheses H₂ investigates the relationship between perceived levels of customer attractiveness and the level of cognitive legitimacy. The regression findings indicate that independent variables were found to significantly impact the cognitive legitimacy of the complaint. While customer trustworthiness demonstrated strong direct effects on cognitive legitimacy ($R^2=.13$), attractiveness ($R^2=.40$) and the perceived service failure severity (no service failure; low severity; high severity) ($R^2=.47$) also exhibited empirical support for Hypotheses H₁₋₃. All signs of β – coefficients were in the hypothesized direction (customer trustworthiness: $\beta=0.53$, $t=6.90$, $p<.01$; customer attractiveness: $\beta=0.52$, $t=7.08$, $p<.01$; severity of service failure: $\beta=0.28$, $t=3.68$, $p<.01$). As a result, hypotheses H₁, H₂ and H₃ were supported.

Hypothesis H₄ explores whether legitimacy perceptions influence the compliance outcome with the voiced complaint, while H₅ and H₆ deal with moderation effects of the employee individual characteristics on the relationship between legitimacy and the dependent variable. To investigate the relationship among the proposed constructs, a moderated hierarchical regression analysis was conducted as the main analytical tool. Since the dependent variable represented a categorical variable, logistic regression was used to examine three-way interaction effects on the compliance outcome. Both independent and moderating variables indicated strong direct effects on the dependent variable (Cox & Snell $R^2=.34$). All signs of β – coefficients were in the hypothesized

direction (complaint legitimacy: $\beta=0.28$, $p<.05$; customer orientation: $\beta=0.99$, $p<.01$; conflict avoidance: $\beta=0.60$, $p<.05$). Thus, hypothesis 4 is supported.

Finally, although the signs of the β –coefficient for the interaction terms were in the hypothesized direction, the full model which controls for all related variables and the 3-way interaction term indicates that the interaction between employee characteristics and complaint legitimacy exhibits no empirical support for Hypotheses H₅ and H₆ respectively.

3.7 DISCUSSION

{Insert Table 1 about here}

Theoretical Implications

The issue of opportunistic claiming behavior has become increasingly relevant over the past few years. Given the narrow profit margins and fierce competition, more and more customers get involved in different types of dysfunctional behavior (Reynolds and Harris, 2005). Firms can no longer tolerate fraudulent complaints and illegitimate merchandise returns. The present study has attempted to shed light on the crucial aspect of illegitimate complaining, that is, the legitimacy of such complaints itself as it is perceived by employees. Given the rising number of fraudulent returns and opportunistic complaints both in merchandise and service settings, this work has conceptualized a customer complaint as a persuasion attempt on behalf of the customer. From the theoretical perspective, this has been the first attempt within the marketing discipline to apply persuasion theories to situations where firm employees serve as a target of

persuasion attempts; as a result, empirical evidence indicates that the persuasion models work in reverse, i.e. the situations where a customer no longer plays a role of a target but rather acts as a message source. As a result, persuasion and attitude change theories may prove to be useful in advancing our understanding of illegitimate complaining behavior as a form of dysfunctional customer behavior.

As can be seen in the summary from Table 1, hypotheses related to antecedents of perceived cognitive legitimacy were supported. This indicates that the fundamentals of persuasion research are also applicable to complaining episodes. As such, contextual (severity of service failure) and source (customer trustworthiness and attractiveness) characteristics were found to have an impact on the target's perceptions concerning the cognitive legitimacy of the message itself. Furthermore, robust findings reinforce the relevance and importance of the source characteristics and suggest that front line employees' judgments on whether the voiced complaint is legitimate or not go far beyond the actual message itself; rather, employees make their conclusions on complaint legitimacy based on peripheral cues such as the perceived levels of customer trustworthiness and attractiveness.

Practical Implications

Several potential managerial implications arise from this research. First is by simply recognizing that perceptions of a claim's legitimacy are going to vary on the basis of customer trustworthiness and attractiveness and, therefore, there is perhaps no single best way of identifying such claims. Macintosh and Stevens (2013) have argued that understanding customer variables is less useful from the managerial perspective because

management cannot choose customers on the basis of appearance or trustworthiness levels.

However, claim's legitimacy perceptions, similar to perceptions of service delivery and failure are still subject to individual differences in both how the situations are framed and how consumers respond (Beaverland et al., 2010). It is clear that different employees who have the same experience will perceive claims differently and they will differ in their expectations of what constitutes attractiveness or trustworthiness. Although service firms cannot choose customers on the basis of individual differences, they should be sensitive to the fact that customer attractiveness and trustworthiness affect how front line employees react to service conflicts and subsequent claiming episodes. Perhaps service providers should look for ways to deploy customer conflict strategies that are consistent with employee's perceptions of higher levels of trustworthiness and attractiveness. The extent to which these factors can be built in to the claiming context holds potential for reducing opportunistic claiming (Macintosh and Stevens, 2013).

3.8 LIMITATIONS AND FUTURE RESEARCH SUGGESTIONS

Although front line employees play a crucial role in determining a complaints' authenticity, several research questions have been left unanswered by the present state of the literature. Hypotheses related to employee's characteristics indicated effects in the right direction but failed to manifest as significant; this may very well be a function of statistical power. Furthermore, the lack of empirical support for the moderating hypotheses prompts further investigation into other pillars of a complaint's legitimacy: namely, regulative and normative dimensions of the construct were left beyond the scope

of the present research. Second, the role of the management team should be thoroughly explored when it comes to “detecting” whether the customer complaint is legitimate or not. Third, the company overall philosophy and the organizational levels of customer orientation as well as the delicate nature of complaint’s authenticity may force many firms to disregard opportunistic claims and passively view it as a “necessary evil” rather than to invoke any justice perceptions and confront the customers. Fourth, it is not uncommon for a customer to insist on using an objective criterion to settle the dispute with a company, such as a third party in the face of various federal agencies and complaint settlement bureaus. Thus, it can prove to be useful to examine the third party’s influence on the dyadic consumer-service provider interaction whenever clients address those institutions to seek redress. Finally, customers, being the focal point of attention and a source of voicing a complaint, can provide some useful insights and shed light on what triggers consumers to claim in an opportunistic manner. Is it cognitive or affective antecedents? Is it an urgent feeling to seek revenge, fairness or merely for monetary gains? Thorough qualitative research as well as a deep theoretical foundation may help researchers take a closer step towards developing a consumer typology for propensity to make opportunistic claims based upon personality traits. Such a typology may potentially have some sound practical implications. Given sophisticated advances in technology and database management, companies can “blacklist” customers who abuse the generous service recovery or merchandise policies based on purchasing history and their psychological profiles. Also, companies may reconsider overly generous service guarantees or merchandise return policies in an attempt to find the most efficient marketing strategy. After all, handling opportunistic claims more effectively may prove

to be that elusive “holy grail” of sustainable competitive advantage in the future of ever intense and fierce competition.

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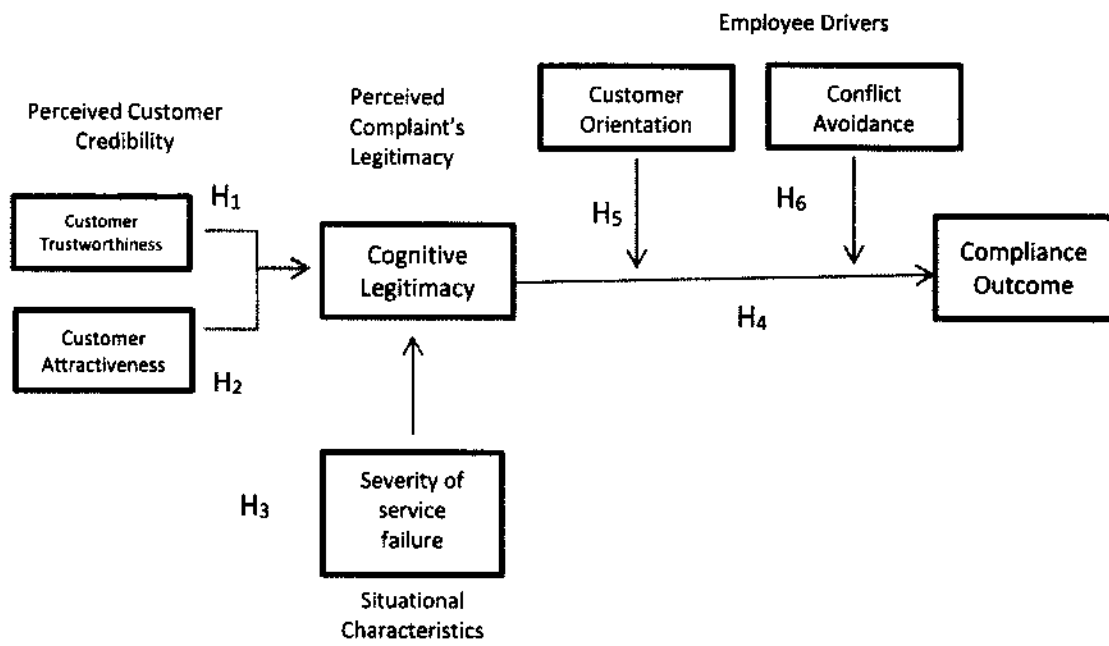
3.10 TABLES AND FIGURES

Table 3.1 Results Overview

H1: Trust → Legitimacy	Supported**
H2: Attractiveness → Legitimacy	Supported**
H3: Severity → Legitimacy	Supported**
H4: Legitimacy → Outcome	Supported*
H5: Legitimacy*CO → Outcome	n.s.
H6: Legitimacy*CA → Outcome	n.s.

†p < .10; *p < .05, **p < .01

FIGURE 3.1 CONCEPTUAL MODEL



CHAPTER 4

ESSAY 3: TAKING ADVANTAGE OF SERVICE FAILURES: THE ROLE OF EQUITY, EXTERNAL AND INTERNAL REWARDS IN TRIGGERING OPPORTUNISTIC CLAIMS

4.1 ABSTRACT

An increasing number of customers are attempting to take advantage of service failures and claim what they can, rather than what they deserve, given the service encounter circumstances. Drawing on insights from economics and social psychology, the present manuscript regards dissatisfaction triggered by the service failure as a realized transaction risk and advances our understanding of opportunistic claiming behavior by empirically investigating the role of a customer's perceived inequity with the service recovery process in triggering the intention to make opportunistic claims. It further proposes a process by which such perceived inequity impacts the consumer's intention to make opportunistic claims. These processes include the customer's cognitive efforts to trade off the expected external (expected material gain and customer power) and internal (importance of moral identity) benefits and costs of voicing an opportunistic complaint. The present manuscript highlights the importance of perceived customer power when it comes to engaging in opportunistic claiming behavior; this relationship becomes more pronounced in negative inequity situations after experiencing a service failure. Two studies were undertaken which found empirical support for the proposed relationships. Managerial insights and suggestions for future research are provided.

4.2 INTRODUCTION

“...Hotels want you to be happy. So if you point out a flaw in your room, you have a good shot at an upgrade. Let the desk know about your complaint. Be polite yet direct, and state that your expectations weren't met. Then tell them what you want, like more space or a better view. If all else fails, play the “special event” card by telling the desk it's your anniversary or your guy's birthday, and you want your stay to feel extra special.”

“Score a Free Hotel Upgrade”, Cosmopolitan, January 2013

As the above excerpt reveals, while complaining behavior is not uncommon, more and more customers are attempting to take advantage of service recovery situations and claim what they can, rather than what they actually deserve given the service encounter circumstances (Wirtz and McColl-Kennedy 2010). The importance of the issue of opportunistic claiming behavior should not be underestimated. According to the Daily Mail UK (2014), 912 out of 5000 passengers admitted to lying in order to receive free upgrades on flights (44% of them reported to being successful in their deceptions). Such deceitful behavior is nothing new to US retailers as the practice of “wardrobing”, i.e. purchasing, using, and returning the used clothing costs the stores across the country around \$16 billion annually (Speights and Hilinski 2005). In addition, employee theft and fraud, estimated at \$600 billion a year in the US alone, suggests that people are not always honest in their behavior (ACFE 2006).

Within the services context, Kim (2008) points out that frontline employees frequently encounter customers who are perceived as extremely demanding and difficult. Furthermore, narrow profit margins along with extremely generous service recovery efforts where some firms go as far as doing everything they possibly can to never lose a guest deem this topic worthy of attention (Tax and Brown 1998; Baker, Magnini and Perdue 2012).

The topic of unreasonable consumer complaining has been predominantly discussed in conceptual papers and literature reviews without further empirical support (e.g., Fisk et al. 2010; Baker, Magnini and Perdue 2012). The scarce empirical research investigating the matter is fragmented due to the context-specific nature of the subject and as it mainly employs the critical incident approach, which relies on customer memory and requires accurate and truthful reporting (e.g., Reynolds and Harris 2005; Ro and Wong 2012). Although the issue of illegitimate complaining has drawn some researchers' attention in recent years, the small literature on dysfunctional behavior has largely neglected the phenomenon of opportunistic claiming in the service recovery context. One of the few notable manuscripts in this area is the recent study by Wirtz and McColl-Kennedy (2010) which systematically explores opportunistic claiming behavior in a service recovery context. They define opportunistic claiming as *voicing a complaint with the purpose of taking financial advantage of a company's service failure and its recovery efforts* (Wirtz and McColl-Kennedy 2010), and investigate customer fairness perceptions as well as several contextual variables such as firm size and the length of the relationship between customers and the firm as potential drivers of opportunistic claiming behavior. However, as Baker, Magnini and Perdue (2012) point out in their conceptual framework, the overall picture of which forces actually trigger opportunistic claims remains somewhat vague. As a result, it remains unclear what forces drive opportunistic claiming behavior within the context of service failures after a genuine service problem has occurred. The present manuscript addresses this gap and advances our understanding of the phenomenon by empirically investigating the drivers of opportunistic claiming behavior.

The current research focuses on this subsequent form of such illegitimate complaining, opportunistic claiming behavior which is aimed at seeking monetary compensation through complaint actions, rather than voicing a complaint for various interpersonal reasons². Opportunistic claiming theoretically transcends different disciplines including psychology, economics, marketing, and ethics or morality (Mazar, Amir, and Ariely 2008)). The current study proposes a model explaining opportunistic claiming using variables that cover these disciplines. For example, we use equity theory from the psychology literature to support hypothesis about perceived unfairness resulting from a service failure, and transaction cost economics and findings from the marketing literature to explain the process by which patrons are motivated to claim opportunistically; and, we use centrality of moral identity as a moderator in certain relationships in the model.

This research regards the propensity to engage in opportunistic claiming behavior as a function of external and internal rewards which may favor a particular unethical action. Such cost-benefit analysis is triggered by situational variables which shape customer equity perceptions of the service outcome. Drawing on insights from economics, customer dissatisfaction caused by a service failure is regarded as a realized transaction risk, and propensity to engage in dishonest behavior is contingent upon external cost-benefit analysis which is central to economic theory.

{Insert Figure 1 about here}

In short, the cognitive processes behind the cost-benefit analysis on whether or not to complain are triggered by the perceived unfairness from the outcome of situational

² monetary rewards include non-monetary rewards that can be monetized but do not include purely psychological rewards such as revenge

factors such as the magnitude of the service failure and a firm's subsequent service recovery efforts. If the subjective assessment of the service encounter outcome is deemed to be unfair by the customer, i.e., negative inequity situations, potential gains from complaining actions may outweigh the costs; this, in turn, may lead customers to believe that opportunistic claiming will help him/her to achieve the desired outcome. Similarly, when consumers perceive greater unfairness, they feel that they are like to influence the company, which leads them to claim opportunistically.

In addition to financial considerations, social psychology suggests that internal values system plays a critical role in shaping human behavior and various actions. As such, it is proposed that customer equity perceptions influence a personal evaluation of the planned trade-off on whether to engage in opportunistic claiming behavior or not (see Figure 1).

The manuscript is organized as two studies: the purpose of the pilot study is to find some empirical evidence whether customers claim more than the company offers to compensate them for a service failure, regardless of the motives pursued by customers; the presence of such overclaiming behavior justifies further investigation of opportunistic claiming behavior within the services context. In the main study, we overcome weaknesses of the pilot. While in the pilot, opportunistic claiming is measured as a behavior (dollar amount overclaimed), in the main study we measure opportunistic claiming as an attitude. The goal of the main study is to capture the phenomenon of opportunistic claiming with underlying psychological and economic factors processes, and factors that moderate these processes.

4.3 LITERATURE REVIEW: OPPORTUNISTIC CLAIMING

The phenomenon of opportunism as “a self-interest with guile” (Williamson 1985, p.47) which includes lying, stealing and cheating as well as more subtle forms of deceit is deeply rooted in the transaction costs perspective developed by Williamson (1975; 2010). Although a traditional economic perspective posits that parties in ongoing exchange relationships are self-interest seeking (Simon 1978), transaction cost economics assumes that human beings will behave opportunistically whenever such behavior is feasible and profitable (John 1984). As such, opportunism is a purposeful behavior in ongoing exchange relationships where the benefits from such actions accrue unilaterally and in the short run (Joshi and Arnold 1997).

However, beyond the institutional economics and within the marketing domain, the phenomenon of opportunism has been largely explored in the context of buyer-supplier relationships (e.g., Joshi and Arnold 1997; Wang et al. 2012), inter-firm governance (e.g., Achrol and Gundlach 1999) and other B2B channel interactions that govern exchange (e.g., Wathne and Heide 2000). From the consumer behavior perspective, some forms of dysfunctional customer behavior may conceptually resemble opportunistic behavior; however, although this small yet growing literature stream has investigated various issues ranging from shoplifting to intellectual property theft, marketing scholars have left the issue of opportunistic claims beyond the scope of the extant research (Wirtz and McColl-Kennedy 2010). As such, the investigation of opportunistic *consumer* behavior has been limited to a few fragmented empirical works without a strong theoretical foundation (Baker et al. 2012).

People complain frequently to express dissatisfaction with various aspects of themselves, others and their environments (Kowalski 1996). From a marketing standpoint, considerable attention to complaining behavior can be found in research on consumer satisfaction (Oliver 1997). This growing body of literature has investigated factors influencing people's satisfaction and dissatisfaction with products, their intention to express such dissatisfaction in the form of complaints, and marketing's response to these complaints (e.g., Fornell and Westbrook 1984; Kim et al. 2003; Chu, Gerstner and Hess 1998; Thøgersen, Juhl and Poulsen 2009). However, as Reynolds and Harris (2009) point out, while extant literature on customer complaining behavior has provided valuable insights into the antecedents, processes, and dynamics of this phenomenon, research is predominantly based on the assumption that customers act in a good-mannered and functional way, where consumers complain solely after experiencing a genuine dissatisfaction with a product or service.

However, Fisk et al. (2010) have witnessed a growing body of literature on what has been labeled as "dysfunctional customer behavior" (Reynolds and Harris 2009), "jaycustomers" (Lovelock 1994) and "consumer misbehavior" (Fullerton and Punj 2004). The central premise of this research stream involves a deliberate deviant customer behavior which covers a wide range of activities from shoplifting and intellectual property theft to minor coupon abuse and "free riding" (Macintosh and Stevens 2013). One of the forms of such dysfunctional consumer behavior has been identified as opportunistic where consumers have an opportunity to take advantage for personal gain (Berry and Seiders 2008). Within the services context, such an opportunity may arise directly from experiencing a service failure and may be exploited by consumers with

little regard for principles or consequences, with the sole purpose of gaining what they can, rather than what they are actually entitled to (Wirtz and McColl-Kennedy 2010).

It is crucial for the service recovery to provide fair compensation to customers who have experienced a genuine service failure (Tax, Brown and Chandrashekar 1998). However, perceived damages are subjective and different policies and systems to handle complaints “may be open to abuse” (Wirtz and McColl-Kennedy 2010, p. 1), triggering dysfunctional customer behavior in the form of “faked” (Day et al. 1981) or “illegitimate” or “fraudulent” complaining (Reynolds and Harris 2005). Fisk et al. (2010) have suggested that opportunistic customer behavior is not uncommon, which is consistent with the feedback from practitioners revealing that at least some consumers take advantage of service recovery situations by making opportunistic claims and “taking what they can, rather than what they should” (Wirtz and McColl-Kennedy 2010, p. 1). Thus, for purposes of this research, consistent with Wirtz and McColl-Kennedy 2010, opportunistic claiming behavior is defined as *voicing a complaint with the purpose of taking financial advantage of a company's service failure and its recovery efforts*. Conceptually, opportunistic complaining behavior includes the complaining as well as the overclaiming; both being motivated by monetary rewards through complaining actions, rather than just voicing a complaint for various interpersonal reasons.

4.4 PILOT STUDY: DO CUSTOMERS OVERCLAIM WHILE SEEKING COMPENSATION AFTER SERVICE FAILURES?

The extant literature on dysfunctional customer behavior involving voicing of an illegitimate complaint has largely been focused on product returns and dubious requests in a retail context (e.g., Autry, Hill and O'Brien 2007; Wang, Beatty and Liu 2012). The

context of services adds yet another layer of complexity since it becomes less clear as to what actually constitutes an illegitimate complaint. Given the intangible nature of services, organizations may have difficulties standardizing their offerings and accurately gauging the extent of opportunistic customer complaining. Babcock and Loewenstein (1997) emphasize that the ambiguity associated with what constitutes fair compensation enables a self-serving interpretation. As such, illegitimate claims as perceived by the service provider may not necessarily be deemed unethical by customers since the latter can claim more than the “fair” compensation to make up for inconvenience, lost time, effort, etc.

The severity of a service failure can serve as a barometer or a perceived “objective criterion” for customers to voice a complaint. Thøgersen, Juhl and Poulsen (2009) suggest that the seriousness of the perceived loss is a strong predictor of consumer complaint behavior, which they describe as “a rational response based on serious evaluation of seriousness of the defect or deficiency” (Thøgersen, Juhl and Poulsen 2009, p. 775). The ultimate purpose of a pilot study here is to confirm the existence of customer overclaiming behavior in the services context in order to justify the need for further examination of the phenomenon under investigation, i.e., opportunistic claiming behavior during service encounters.

Social exchange and equity theories posit that exchange relationships should be balanced, i.e., resources should be exchanged in equivalent amounts (Walster, Berscheid and Walster 1973). Such relationships may be thrown out of balance should a service failure occur during an exchange between a consumer and a service provider; furthermore, from the consumer’s perspective, the amount of perceived loss directly

depends on the magnitude of the failure (Smith, Bolton and Wagner 1999). Given that service failures often involve conflict (Wirtz and McColl-Kennedy 2010), firms tend to restore balance and implement policies aimed at retaining a profitable customer relationship through offering the customer a gain of an amount sufficient to cover the loss. Such actions have been defined as service recovery, which “mitigates and/or repairs the damage to a customer that results from the provider’s failure to deliver a service as designed” (Johnston and Hewa 1997, p. 476). However, the efficiency of such a recovery strategy to honor customer claims is sometimes questionable, as recent studies indicate that 40% to 60% of customers reported dissatisfaction with service recovery attempts (e.g., Tax, Brown and Chandrashekar 1998; Wirtz and McColl-Kennedy 2010).

Furthermore, as it was mentioned earlier, some customers go beyond seeking balance in failure/recovery encounters, and as a result, such policies can be open to abuse since some claimants are not passive when it comes to the level of compensation sought (Rahim 1983). Some customers may attempt to maximize the compensation they seek by recognizing an opportunity to take financial advantage of a company’s service failure and recovery efforts (Berry and Seiders 2008). Thus, restoring the perceived balance in the service encounter exchange relationship may not be the ultimate goal for a customer who has experienced a severe service failure. We argue that due to a greater perceived loss, severe service failures offer a greater chance of redress in the minds of the consumer, and therefore, lead to a greater likelihood of overclaiming behavior. Thus, we hypothesize that the magnitude of a service failure triggers consumers to engage in claiming more than they are entitled to:

H1: Consumers will be more likely to engage in overclaiming when the service failure experienced is severe rather than mild.

Sample and Procedures

Consistent with the role-playing scenario approach presented by Wirtz and McColl-Kennedy (2010), scenarios were developed using the third person technique. Scenarios were administered to an online consumer panel drawn from the Mechanical Turk (MTurk) online database to generate a more generalizable sample. Each participant was paid \$0.50 for completing the task (equivalent of \$3 per hour). Overall, 136 usable responses were collected with 52.2% representing male respondents and with a mean age across all respondents of 34 years. Subjects were randomly assigned to one of the two treatments based upon whether the service failure was severe or not. The manipulation of the service failure severity is shown in Appendix A.

A written scenario was presented to the participants that included a third party's service encounter with an airline employee after flying in for an important job interview and not locating his luggage. All participants were pre-screened to ensure previous flying travel experience. Respondents were informed that the value of the lost items was approximately \$150. Next, the subjects were asked to write how much they thought the passenger would claim based on the circumstances presented. Providing such a projective task for respondents allowed them to claim amounts in excess of \$150 (i.e., overclaiming) without being directly involved in allegedly unethical behavior.

Pretests

In order to ensure that scenarios were effective, the questionnaires were pre-tested with a sample of faculty members and undergraduate students from a large mid-Atlantic university. The most challenging task was to design realistic and believable service failures and develop severity manipulation while keeping the other aspects of the service

encounter as similar as possible. Hess et al. (2003) also suggest creating strong manipulations of failure severity while avoiding extremes, such as failure too trivial or catastrophic. After presenting the subjects with the initial written version of the scenario, the participants were asked to comment on the seriousness of the service failure and believability of the scenarios. Based on the pretest suggestions, minor modifications were made to the scenarios where necessary. For example, the majority of respondents noted that flying for a day trip to attend a professional meeting would seem more believable and realistic; according to the subjects, the consequences of not locating luggage in such situations and are not deemed too trivial or catastrophic.

Manipulation and Realism Checks

ANOVA was conducted with two levels of severity manipulations as the independent variables and the manipulation check (“Based on your travel experience, how would you describe the service problem that Chris encountered?” 1=mild to 5=severe) as the dependent variable. The manipulation had a significant effect ($F=99.73$, $p<.01$) with the means for mild severity and high severity being 2.55 and 3.84, respectively. These findings indicated that manipulations worked as intended, as indicated by the pretest manipulation check.

The realism of the scenario was also checked with a question “How realistic is the situation experienced by Chris?” with 1=not realistic at all to 5=very realistic as the anchors. The realism means ranged from 4.26 to 4.29 for the four cells, which indicates that the situation described in both scenarios was seen as realistic by the respondents.

Findings

A t-test was used to test hypothesis H₁ with the severity of the failure (high vs. low) as the independent variable and the extent of overclaiming as the dependent variable. Hypothesis H₁ states that consumers are likely to claim more than the value of their lost belongings for severe as opposed to mild service failures. Results indicate that the severity of the service failure significantly affects propensity to overclaim ($F=25.31$, $p<.01$) with the mean dollar amount claimed being higher for the high severity condition (mean=\$221) than that for the mild severity condition (mean=\$158). There was a significant difference in the proportion of inflated claims based on service failure severity ($F=24.20$, $p<.01$), with 71% of claims under high severity failures being opportunistic (more than \$150) versus only 19% being opportunistic under low severity failures. Thus, hypothesis H₁ is supported.

The presence of the “overclaiming” phenomenon, however, does not necessarily warrant the existence of opportunistic claiming. There are several ways in which the pilot study has to be advanced for greater confidence in understanding the phenomenon of opportunistic claiming. First, opportunistic claiming is measured with a dollar value of overclaiming in the pilot study, which does not capture the attitude or propensity to overclaim in the service failure situation. Second, opportunistic claiming has to be explained in theoretical terms; in other words, what motivates consumers to claim opportunistically, and what conditions that moderate it. Third, the manipulation of perceived unfairness levels in the pilot was based on anecdotal evidence; it has to be determined using extensive pretesting.

In order to thoroughly capture the phenomenon of opportunistic claiming, the main study draws on equity theory and insights from the economics and social

psychology literature to empirically investigate a set of antecedents to opportunistic claiming behavior.

4.5 CONCEPTUAL MODEL AND HYPOTHESES DEVELOPMENT

Model Overview

Wirtz and Kum (2004) highlight the importance of interdependence between situational and personality factors influencing unethical consumer behavior. Baker, Magnini and Perdue (2012) suggest that customer-centric drivers such as financial greed and personality traits are critical drivers of cheating or opportunistic behavior. Wirtz and McColl-Kennedy (2010) urge scholars to examine the role of contextual factors in justifying opportunistic claiming as a subsequent form of complaining behavior. As a result, the current research suggests that customer-centric variables and situational characteristics should be considered when determining a customer's likelihood of opportunistic claiming.

Indeed, numerous studies have noted that a consumer's likelihood of complaining about a service failure is contingent upon the costs and benefits involved, including those which are tangible (e.g., economic damage or loss) as well as intangible (e.g., time and effort to voice a complaint) (Thøgersen, Juhl and Poulsen 2009; Kolodinsky 1995; Oliver 1997). Kowalski (1996) suggests that such cost-benefit analysis leads to a high perceived value of complaining when the rewards to be gained outweigh the costs of complaining. Such assessment of the utility associated with complaining is peculiar to human nature, since when people complain, they want to maximize the gains from complaining and reduce the costs associated with complaining to a minimum (Oliver 1997).

The payoff from complaining and the costs associated are analogous to the outputs and inputs of equity theory (Lapidus and Pinkerton 1995). Furthermore, similar to the voicing of a complaint, service recovery efforts may serve as a means to reduce inequity (Huppertz, Arenson, and Evans 1978). This subjective assessment of a service encounter outcome leads, as suggested by Kowalski (1996), to a cost-benefit analysis to determine the perceived utility of voicing a complaint. Singh (1989) refers to the perceived value of complaining as the personal evaluation of the gap between the benefit and the cost of complaining.

According to the standard economic model of rational and selfish human behavior, people will engage in various forms of dishonest behavior consciously and deliberately by contrasting the expected external benefits to the costs of performing a dishonest act (Allingham and Sandmo 1972; Mazar, Amir, and Ariely 2008). As such, whether or not to claim opportunistically as a form of dishonest behavior is contingent upon three aspects: 1) the expected material gain from opportunistic claiming, 2) the probability of being caught or having the opportunistic nature of the claim revealed, and 3) the severity of the punishment, if caught. As a result of this external rewards system, “people are honest or dishonest only to the extent that the planned tradeoff favors a particular action” (Mazar, Amir, and Ariely 2008, p. 633).

In addition to financial considerations, social psychologists argue that the propensity to engage in dishonest behavior also depends on internal rewards mechanisms (Campbell 1964). The cost-benefit framework is equally applicable to the socialization process, since people internalize societal norms and values and use them as an internal benchmark for comparing his or her actions (Henrich et al. 2001). Compliance with the

internal values system (honest behaviors) provides positive rewards, while noncompliance (i.e., dishonest acts such as opportunistic claiming) leads to negative rewards (De Quervain et al. 2004; Mazar, Amir, and Ariely 2008).

In short, the cognitive processes behind both external and internal cost-benefit analysis on whether or not to complain are triggered by the outcome of situational factors such as the magnitude of the service failure and a firm's subsequent service recovery efforts. If the subjective assessment of the service encounter outcome is deemed to be unfair by the customer, i.e., negative inequity situations, potential gains from complaining actions may outweigh the costs; this, in turn, may lead customers to believe that opportunistic complaining will help them to achieve desired outcomes.

Perceived Equity of Service Failure and Recovery Process

Perceived equity, or distributive justice as it is labeled in the sociological literature, plays a central role in the understanding of marketing as an exchange (Bagozzi 1975). Consumers often find themselves dissatisfied with the outcome of such transactions (Gronhaug and Gilly 1991). Within the services context, perceived equity is regarded as a psychological reaction to the value of the service proposition (Olsen and Johnson 2003). As a result, many scholars suggest that it is an important antecedent to consumer satisfaction (Oliver and Swan 1989a; Bolton and Lemon 1999). Furthermore, perceived equity is also central to a company's service recovery efforts (Smith, Bolton, and Wagner 1999).

Equity theory posits that parties involved in social exchange relationships compare with each other the ratios of their inputs into the exchange to their outcomes from the exchange (Huppertz, Arenson, and Evans 1978). Inequity exists when the

perceived inputs and/or outcomes are not consistent with the perceived inputs and/or outcomes of another party involved in the exchange (Adams 1963). Inputs are defined as “the participant’s contributions to the exchange which are seen by the participant or an observer as entitling him to rewards or costs,” whereas outcomes are “the positive and negative consequences that the participant or an observer has incurred as a consequence of his relationship with another” (Walster, Berscheid, and Walster 1973, p. 152).

However, this social exchange perspective assumes that the partners are equal to the exchange (e.g., spouses, coworkers) (Cook and Yamagishi 1983; Oliver and Swan 1989). Theories of distributive justice (Jasso and Rossi 1977) or expectation states theory (Berger, Conner, and Fisek 1981) are more suitable in commercial exchanges where the roles of participants are disparate (Oliver and Swan 1989). These theories posit that each party will have expectations of the role of the other, and broad-based conceptions of “justice” are evaluated by assessing the other’s performance on the role dimensions. Thus, expectations shape the standard against which the subsequent performance of the service or product is judged (Gronhaug and Gilly 1991).

As such, in a service encounter or transaction, customers will balance out the inputs invested (monetary expenditure, effort and time) and the outcomes received (e.g., perceived level of service or the quality of recovery efforts if the service failure occurs). This, in turn, will be traded off against the inputs (time and effort, service expertise, etc.) and outputs of the service firm (customer retention, monetary gains, positive word of mouth) (De Ruyter and Wetzels 1999). Furthermore, customers assess equity balance and compare actual service delivery to expectations and the corresponding level of disconfirmation. If the service failure occurs (i.e., the negative outcome relative to

inputs), the customer becomes the “victim” of the exchange and experiences the negative inequity while trying to eliminate distress by demanding the compensation, retaliation and justification of inequity from the “harmdoer,” that is, the service provider (Fisk and Young 1985).

As suggested by Lapidus and Pinkerton (1995), there are four combinations of consumer inputs/outcomes that result in either an equitable or inequitable situation. However, the nature of opportunistic claiming behavior dictates that the operationalization of the input and outcome variables should be focused on low outcome situations since the major assumption is that the service failure has to occur in order for a customer to have a chance to engage in opportunistic claiming. As a result, low input vs. low outcome (equity condition) and high input vs. low outcome (negative inequity) combinations are relevant for investigating the phenomenon of opportunistic claiming behavior (see Figure 2).

{Insert Figure 2 about here}

External Rewards System: Expected Material Gain and Customer Power

Equity theory involves the norm of distributive justice in a dyadic relationship, i.e., the willingness on the part of the participants involved to have a fair and just distribution of profit (rewards-costs). In an effort to assess the equity of the service transaction, customers view the occurrence of the service failure as a realized transaction risk (Gronhaug and Gilly 1991). Such an outcome leads to a negative inequity and customers will attempt to restore parity with some form of post purchase behavior, ranging from complaining and word-of-mouth communication to brand loyalty or repurchase intention among other actions (Lapidus and Pinkerton 1995).

In contrast to the exit option, voicing a complaint may be regarded as the most “rational” choice since the customers face exit barriers (i.e., switching providers can be costly, time consuming and difficult) (Gronhaug and Gilly 1995). In addition, as it was mentioned above, customers may complain because the expected norm of equity in the transaction has not been met, i.e., they may perceive their inputs to be higher than the outcomes or benefits received from the service firm (Oliver and Swan 1989). Yet, not all customers complain after service failures simply because making overt complaints is costly (Fornell and Wernerfelt 1988; Oliver 1997).

As it was pointed out earlier, the homo economicus perspective suggests that people may act dishonestly as long as the planned trade-off favors a particular action. If dissatisfaction from the service failure is viewed as a realized transaction risk, the propensity to engage in dishonest behavior is contingent upon the magnitude of any external rewards, the lower probability of being caught and the lower magnitude of punishment (Mazar, Amir, and Ariely 2008).

Furthermore, Gronhaug and Gilly (1991) view a complaint action through the prism of a transaction cost perspective and suggest that the expected value of a complaint action can be expressed as $E(p \cdot V)$, where p is the subjectively assessed probability of getting the complaint accepted, and V is the estimated value or the magnitude of the external reward for the customer if the complaint is accepted. While V may signify a numerical value of estimated monetary gain or compensation related to the experienced service failure, the probability of being caught and the severity of punishment may not be as equally applicable to a complaint situation. Customers who voice a complaint, even an illegitimate one, are generally not afraid to be caught or punished simply because the

intangible nature of services cannot adequately contract what is wanted and it becomes less clear what constitutes an illegitimate or opportunistic claim; furthermore, the ambiguity associated with what constitutes fair compensation after a service failure enables a self-serving interpretation (Babcock and Loewenstein 1997).

In line with equity theory, the exchange relationships should be balanced; should the service failure occur, such exchange gets thrown out of balance, and partners may not receive resources in equivalent amounts. In an attempt to minimize the consequences of negative inequity and restore the balance, customers or “victims” may feel that they are entitled to some form of compensation from the service provider, or the “harmdoer.” The greater the perceived loss, that is, the disparity of inputs to outcomes, the higher the material gain that will be expected by the customer. Therefore, it is posited that:

H₂: After experiencing a service failure, customers will expect higher levels of material compensation in high input/low outcome situations than they would expect in low input/low outcome situations.

Customers may exert some influence to make their complaint heard and accepted by the service firm by threatening to withdraw their business, engage in negative word-of-mouth behavior, etc. Such potential influence is an individual’s relative capacity to modify a target’s attitudes and behaviors (Frazier 1999; Gregoire, Laufer, and Tripp 2010). Dahl (1957) and Menon and Bansal (2007) link such influence to the perceived social power in services, i.e., the extent to which customers can influence the situation to their advantage. Furthermore, when applied to customer complaining, this perceived power conceptually resembles the subjectively assessed probability of getting the complaint accepted, or p from the formula described above. As such, customer power is

defined as “a customer’s perceived ability to influence a firm, in the recovery process, in a way that he or she will find advantageous” (Gregoire, Laufer, and Tripp 2010, p. 8).

Similarly, greater negative inequity after the service failure and recovery process may lead to greater perceived customer power since such power may arise from a variety of sources deemed extremely important for a service firm’s survival. Given the narrow profit margins of the service industry and fierce competition, service providers will do everything that they can to retain profitable customer relationships or avoid customer dissatisfaction and the related negative consequences. Furthermore, generous service guarantee policies and the service culture of doing anything possible to never lose a guest (Tax and Brown 1998) will boost a customer’s belief in their power to get their way with a service firm. Thus, it hypothesized that:

H₃: After experiencing a service failure, high input/low outcome situations will lead to greater levels of perceived customer power than for low input/low outcome situations.

External Rewards System and Opportunistic Claiming

The majority of extant literature focuses on complaining behavior which is triggered solely by dissatisfaction with defective products or service experiences. However, in his theoretical framework of complaining, Kowalski (1996) points out that dissatisfaction is “a sufficient, but not a necessary precursor to complaining” (Kowalski 1996, p.180). The author draws a distinction between people’s thresholds for *experiencing* and *expressing* dissatisfaction. The theory posits that while genuine dissatisfaction does stimulate complaining by the customer, his or her need to complain for other interpersonal reasons may prompt complaining even when he or she may not be experiencing actual dissatisfaction. In other words, if some customers perceive that

expressing dissatisfaction will allow them to achieve a desired outcome or to avoid undesired punishment, then he or she will voice dissatisfaction (Caron, Whitbourne and Halgin 1992). The existence of both thresholds suggests that “the processes underlying complaining may actually be twofold, with one process influencing complaining through the subjective experience of dissatisfaction and the other affecting complaining in the absence of dissatisfaction through an analysis of the subjective utility of complaining” (Kowalski 1996, p.180).

Many scholars provide insights into how customers evaluate losses and gains (e.g., Kowalski 1996; Tversky and Kahneman 1992; Kolodinsky 1995). As suggested by Smith, Bolton and Wagner (1999), customers do not expect a service failure in most service encounters, so the initial point of reference is likely to be “no failure” (Smith, Bolton and Wagner 1998, p. 360). Furthermore, customers perceive service failures as losses and weigh failures heavily (disproportionately) in their evaluations of service encounters (Berry and Parasuraman 1991).

This view is consistent with the transaction economics perspective, where dissatisfaction caused by service failures is regarded as a realized transactional risk. As a result, some consumers will seek fair compensation to restore perceived parity by voicing complaints. However, it is often unclear what constitutes fair compensation, thus enabling a self-serving interpretation on behalf of a claimant. Kim et al. (2003) found that perceptual variables, such as the perceived value of the complaint, positively influence the consumer’s complaint intentions. Furthermore, the inflated negativity and anger with the firm arising from the service failure may allow consumers to perceive themselves as not being dishonest while voicing illegitimate complaints (Mazar, Amir and Ariely

2008). As mentioned above, to maximize their interests, some people will reach a decision on whether to engage in dishonest behavior (opportunistic claiming in this case) on the basis of the inputs of the external rewards system, namely the expected utility of voicing a complaint in the form of an expected material gain and the perceived probability of getting the complaint accepted, that is, the perceived level of customer power. As a result, since people want to maximize gains from complaining behavior and reduce the costs related to complaining, the higher perceived utility of the complaint action may lead to engaging in opportunistic claiming behavior. As a result, the following two hypotheses are offered:

H₄: After experiencing a service failure, higher levels of perceived expected material gain will lead to a greater propensity to claim in an opportunistic manner.

H₅: After experiencing a service failure, higher levels of perceived customer power will lead to a greater propensity to claim in an opportunistic manner.

Internal Rewards System: Centrality of Moral Identity

In addition to financial considerations, social psychologists suggest that another important set of inputs, a part of socialization, will influence the decision as to whether to be honest or not. According to this perspective, the norms and values of the society serve as an internal benchmark against which a person contrasts his or her actions (Henrich et al. 2001; Mazar, Amir, and Ariely 2008). Such internalization of values and norms shapes the internal rewards system which provides positive or negative rewards, depending on whether a person complies with it or not. According to Mazar et al. (2008), one of the major ways for the internal rewards system to shape human behavioral intentions is through the influencing of peoples' self-concept, or, in other words, how

people view themselves (Aronson 1969; Baumeister 1998). Furthermore, the utility or potential rewards from behaving consistently with the self-concept can be regarded as another part of the cost-benefit analysis, i.e., inputs derived from the internal rewards system.

Several scholars have found that people generally consider honesty as a part of their internal rewards system, that is, they value and believe in their own morality and want to maintain this aspect of self-concept (Sanitioso, Kunda, and Fong 1990; Griffin and Ross 1991). Furthermore, it is suggested that in order to maintain a positive self-concept, people will typically comply with their internal benchmark even if it requires extra effort or the sacrificing of financial gains (Harris, Mussen, and Rutherford 1976; Mazar, Amir, and Ariely 2008).

Blasi (1980, 2004) suggests that the notion of moral identity is central to understanding self-concept maintenance or self-consistency. Aquino et al. (2009) define moral identity as “the cognitive schema a person holds about his or her moral character.” As such, people whose self-concept is shaped by moral traits should be motivated to behave in a moral manner, i.e., if the moral identity is central or important for an individual, then it becomes a powerful source of moral motivation because this person will generally desire to maintain self-consistency (Blasi 1993). As such, dishonest intentions or behaviors will more likely be exhibited by people whose centrality of moral identity is peripheral, or less important. As a result, it is hypothesized that opportunistic claiming as a form of immoral behavior will be a joint function of the utility of a complaint action in the form of expected material gain and the centrality of the moral identity to a person’s self-concept. As a result, the following hypothesis is presented:

H₆: The effects of expected material gain on propensity to engage in opportunistic claiming will be moderated by the centrality of moral identity (the relationship will be stronger, when the moral identity is peripheral, rather than central to customer's self-concept).

4.6 METHODS

Experimental Design and Procedure

A sample of 200 respondents was obtained from a Qualtrics consumer panel, a web-based software with carefully prescreened consumer polls and user-friendly features for respondents. Similar to the pilot study, the role-playing experiment (scenarios) was conducted as it eliminates some social desirability concerns while allowing the capture and measure of potentially delicate constructs related to morality and socially undesirable behaviors. To ensure the validity of responses, only those customers who had traveled more than once in the past were considered for the final data analysis (n=186). The final sample included 164 respondents with 22 responses being dropped from the final data analysis due to incomplete or problematic responses.

Participants were randomly assigned to 1 of 2 experimental conditions in a between- subjects factorial design. The scenario for each condition described a service encounter with the airline with subsequent service failure and recovery. The manipulated variable of the perceived equity of the service recovery (equity vs. negative inequity) is presented in Appendix B.

Participants were prescreened to ensure familiarity with air travel and prompted to carefully read the hypothetical service encounter with the airline and answer the questions that followed. In order to minimize some priming effects, questions related to centrality of moral identity and a general attitude toward complaining not associated with any particular service episode were presented before the actual scenarios. Each question

was presented one at a time and backtracking was prohibited by the system. The scenario stated that the service context involved a third party named Chris, a sales manager traveling for a day trip, who was not able to locate his luggage upon arrival to Chicago for a regional sales meeting. The scenario also stated that the airline was willing to reimburse Chris for lost items for up to \$300, and that the estimated value of Chris's belongings was also \$300. To control for Chris's relationship strength with the airline, it was noted that it was his first time flying with that particular airline. The scenario then described either low or high input situations to manipulate equity perceptions. In a low input condition, the lost luggage contained only Chris's toiletries and a spare set of clothes, while the high input condition, in addition to those items, included a picture of Chris's wife and kids, which he considers a good luck charm and carries it with him on his business trips. A sample scenario is presented in Appendix B.

Measures and Pretests

Multiple-item scales were utilized from previous research and were modified to better fit the context of the study where necessary. The scales are provided in Appendix C. Prior to conducting the main study the questionnaire was extensively pretested and some of the items required slight rewordings and the modified scales were further refined. The resulting scales were reliable, with Cronbach's Alpha for central constructs ranging from .80 (opportunistic claiming) to .85 (customer power).

The design of the experimental manipulations of perceived equity required three pretests involving a total of 40 undergraduate students at a large state university and 80 respondents from the M-Turk consumer panel. The ultimate objective was to vary equity conditions while keeping other aspects of the failure and subsequent recovery identical. A

student sample agreed that the chosen \$300 compensation threshold was realistic and the most typical airline response given the lost luggage situation. Feedback about the believability of the recovery scenarios was also verified at this stage.

To ensure the proper manipulation of perceived unfairness perceptions, M-Turk participants were randomly assigned to evaluate 1 of 6 scenarios that varied the level of perceived itemized value of the luggage (\$200 vs. \$300 vs. \$400), equity conditions (high input vs. low input) and kept the airline compensation offer constant at \$300. Respondents were then asked about the perceived fairness using the 3-item distributive justice scale from Blodgett et al. (1977). Ultimately, the scenarios with estimated luggage value of \$300 were selected since they were substantially different in terms of rated quality and categorization of equity perceptions. Means of manipulation checks for this pretest as well as the main study are presented in Table 1.

{Insert Table 1 about here}

Manipulation and Realism Checks

In order to ensure that the treatments worked as intended, ANOVA was conducted with two levels of perceived equity manipulations and the manipulation check (distributive justice, a 3-item scale adapted from Blodgett et al. (1997), 1=extremely unfair to 7=extremely fair) as the dependent variable. The manipulation was found to be significant ($F= 16.29, p<.01$) with the means for equity and negative inequity conditions being 5.19 and 4.45, respectively. Thus, as shown in Table 1 the manipulations worked as intended. The realism of the scenarios was also checked with the means ranging from 4.25 to 4.39 for the two conditions (1= not realistic at all, 5=very realistic).

4.7 RESULTS

MANOVA was run with the two levels of equity conditions as an independent variable to test the direct effect of the independent variable on the expected material gain and the perceived customer power levels. In order to rule out potential confounds, the attitude toward complaining as not specific to any particular service encounter was introduced as a covariate (Richins 1982; de Matos, Rossi, Veiga and Vieira 2009). The multivariate main effects of equity perceptions were found to be significant ($F=75.16$, $p<.05$), while the attitude toward complaining was not found to be significant as a covariate.

Hypotheses H_2 and H_3 were tested using univariate analysis. As shown in Table 2, the results indicate that the equity perceptions significantly affect the levels of expected material gain ($F=33.27$, $p<.05$) with the mean material gain being higher for the negative inequity situation (mean=\$355) than for the equity condition (mean=\$190.63). Thus, Hypothesis H_2 is supported. The findings also indicate that the equity perceptions significantly affect the perceived customer power levels ($F=115.08$, $p<.05$) with the mean customer power being greater for the negative inequity condition (mean=4.84) than for the equity condition (mean=3.32). As such, Hypothesis H_3 is also supported.

{Insert Table 2 about here}

Hypotheses H_4 and H_5 explore whether or not the expected material gain and perceived customer power influence the propensity to engage in opportunistic claiming behavior, and hypothesis H_6 deals with moderation effects of the centrality of moral identity. To examine the relationship among constructs, a moderated hierarchical regression analysis was employed as the main analytical tool. The results are presented in

Tables 3 and 4. Any multicollinearity among all variables in the full model (model 3) was discounted after using the mean-centering technique ($1.3 \leq VIF \leq 3$) (Aiken and West, 1991). While controlling for relationship strength with the airline in the scenario, gender and age were used as control variables in the analysis (Wirtz and McColl-Kennedy 2010). The extant literature also suggests including Machiavellianism among the control variables (Wirtz and McColl-Kennedy 2010); however, the construct of centrality of moral identity was included as a moderator which provided similar evidence as would have been shown with Machiavellianism as a control variable.

Neither gender nor age of the respondents were found to significantly impact opportunistic claiming; while customer power and expected material gain demonstrated strong direct effects on the dependent variable ($R^2=.32$). All signs of β -coefficients were in the hypothesized direction (customer power: $\beta=0.50$, $t=6.82$, $p<.01$; material gain: $\beta=0.15$, $t=2.09$, $p<.05$). As a result, hypotheses H_4 and H_5 were supported.

{Insert Tables 3 and 4 about here}

Finally, although the sign of the β -coefficient for the interaction term was in the hypothesized direction ($\beta= -0.11$, $t= -1.41$, $p<.10$), the full model (model 3) which controls for all related variables and the interaction term indicates that the interaction between centrality of moral identity and the expected material gain exhibits only marginal support for Hypothesis H_6 .

4.8 DISCUSSION

{Insert Table 5 about here}

As can be seen in the summary Table 5, all of the hypotheses were supported (although H_6 was marginally supported). This indicates that, first of all, as we expected

in the pilot study, there was support for the basic contention that consumers are more likely to claim more than the value of their lost belongings when the service failure was felt to be severe. Demonstrating the existence of opportunistic claiming, this set the foundation for the subsequent study in which we strove to delve deeper into the nature of its potential drivers.

The second study then allowed for the examination of the potential effect of perceived inequity upon expected material gain as well as on customer power. These links were supported in the analysis. From equity theory, therefore, it can be seen that after the occurrence of a service failure, the greater the perceived loss, the more that the harmed individual will want the service firm to compensate them for that loss. In addition, after a service failure from a psychological perspective, it was shown that the greater the negative inequity from the perception of the customer, the greater the level of perceived power that the harmed individual will have over the service firm in question. It was then expected sequentially that expected material gain would have a direct effect upon opportunistic claiming. In particular, the study found that the greater the perceived inequity in the compensation of the firm for the loss, the greater the use of opportunistic claiming on the part of the wronged individual. It was also expected that the greater the perceived level of customer power, the greater the use of opportunistic claiming.

The last part of the study examined the moderating effect of the centrality of moral identity. In this case the moderating effect was shown marginally at the $p < .10$ level, which suggests that the moral identity of the claimant will affect the use of opportunistic claiming behavior when there is a perceived negative inequity between the loss experienced by the claimant and the compensation offered by the service firm. The

centrality of moral identity will have a lessening effect on the use of opportunistic claiming.

Theoretical Implications

Our study advances our knowledge in the area of opportunistic claiming as it adds to the studies that have been done before (Wirtz and McColl-Kennedy 2010; Baker, Magnini and Perdue 2012). Wirtz and McColl-Kennedy (2010) were the first to define the construct itself; and we use that definition as a framework for our study. In a survey study, they also identified other variables such as demographics, strength of the relationship with the firm and fairness perceptions as the forces behind propensity to engage in opportunistic claiming behavior. Similarly Baker, Magnini and Perdue (2012) proposed a conceptual framework which included situational factors along with customer-centric variables as the potential drivers of opportunistic claiming. Thus, what we know from the limited literature is that cognitive drivers along with some contextual factors are critically important for investigating the phenomenon of opportunistic claiming behavior. As a result, the manuscript provides an empirical support for proposed conceptual framework and draws on insights from economics and social psychology in attempt to advance our understanding of opportunistic claiming behavior.

We build on these two studies with an experimental investigation using the transaction cost economics literature and social psychology to support proposed relationships triggered by equity theory implications. Our study present and finds empirical support for a model that explains what drives opportunistic claiming, and the process by which customers are motivated to claim opportunistically. Our study has

specific findings that are new contributions to the literature, and offer managerial implications:

1. Theoretically, negative inequity perceptions lead to a cost-benefit analysis on whether to voice a complaint or not; ultimately, if the benefits of the complaint actions far outweigh the costs, such analysis will drive the customer to claim opportunistically.
2. Negative inequity is a driver of opportunistic claiming. Thus, two individuals facing the same service failure (as Chris did in our scenario with his lost baggage) will perceive different levels of inequity, driving them to claim opportunistically.
3. Negative inequity leads to higher expected material gain and perceived customer power to influence the service provider.
4. Expected material gain and perceived customer power to influence the service provider both lead to motivate the customer to claim opportunistically.
5. The centrality of moral identity has a dampening effect on the use of opportunistic claiming. In other words, the effect of expected material gain on opportunistic claiming is lower for customers for whom morality is important or central than for those for whom it is peripheral.

Managerial Implications

So what does this mean for service providers? Based on the findings outlined above, the level of perceived inequity on the part of the customer given the offered compensation of the firm is the trigger point for the occurrence of opportunistic claiming. Thus, service providers need to better manage the customers' perceived equity, and its consequences.

Service providers should make every effort to assess the expected losses involved in the event of a service failure and offer a reasonable amount in compensation. The use of low end of possible compensation by service providers would by nature fuel perceptions of potential negative inequity from the standpoint of the harmed individual. Depending on the extent of opportunistic claiming experienced by the service provider, a strategy for the company might be to allow the customer to be compensated a normal amount for their loss, with some negotiation room to explain the nature of the loss and how important it is for them. This would not preclude the use of unfair claiming, but it may alleviate real perceptions of negative inequity. The challenge is to provide a one-size fits all approach to handling service failures. Of course one way to take the high road with the customer is to offer guarantees, but the difficulty with effectively anticipating the potential for inequity is difficult without being able to screen for personality and psychological traits. Of course, the best way to control this situation would be to develop the best delivery process possible in order to minimize the chance for a service failure.

Service providers should train their employees to understand that the same service failure may not be equally inequitable to each customer, as it depends upon the inputs (the lucky charm in our case). If a partially negotiated process is used, employees should be encouraged to quickly evaluate the causes for the inequity, and in their interactions try to reduce the inequity by offering solutions in addition to the compensation for the service failure.

Employees should be trained to understand why consumers claim opportunistically—they expect greater material gain to compensate for the inequity that

they perceived, and also feel that they now have a higher ability to influence the company to compensate them more. Customers experiencing a service failure assess external and internal rewards of pursuing the compensation for the failure, and evaluate the situation in terms of how much material gain they can have and to what degree they can influence the company. Employees may then be trained to lower expectations on both gains and ability to influence the provider by providing examples from the past. Thus, service providers should devise strategies that will dampen the effect of perceived inequity on expected material gain and customer power. For instance, certain industry standards related to service recovery and compensation based on the similar situations in the past should be clearly articulated by front line employees to the distressed customers in order to minimize the damaging effects of perceived negative inequity.

From the service providers' perspective, any variable that dampens the effects of inequity and of expected material gain and customer power would be useful. Our study provides evidence of one such variable—centrality of moral identity. Although not investigated in our study, other such variables may include affective elements of consumer behavior such as anger and other emotions, in addition to customer's financial status and levels of personal greed..

In summary, service providers should train their employees on all the steps that lead to opportunistic claiming by the customer experiencing a service failure.

4.9 LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

This study has some limitations, which also offer avenues for future research. The context for this study was airline travel and lost luggage. It would be pertinent to extend the research to other service contexts. How might this differ for hotel stays,

restaurants, etc.? What about B2B service settings? Another issue here is that only the centrality of moral identity was used as a moderating variable for the link between expected material gain and opportunistic claiming. Moral philosophy may have a significant impact on opportunistic claiming behavior. Imagine those who believe that the ends justify the means as opposed to those who believe that the means justify the ends. Moral idealists would certainly have a different moral compass as opposed to moral relativists. More work in this regard is certainly warranted. In a similar vein, work in other cultural contexts would be of potential value as different cultures bring different approaches to morality as well as equity. Another potential area for future research would be to examine other possible moderators of the relationships between expected material gain as well as customer power and opportunistic claiming. One would expect that possible psychological traits might have a bearing on perceived customer power. One other promising area for future research would be to examine potential diffusers of opportunistic complaining. What might the company be able to do to alleviate perceived negative inequity before it manifests itself in opportunistic claiming?

This study has empirically shed relevant light on an important issue faced by service firms. Opportunistic claiming is a real threat for service firms, and the more that is known about what it is and how it occurs, the better firms will be able to anticipate the problems and take the necessary corrective action.

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4.11 TABLES AND FIGURES

Table 4.1 Manipulation Checks for Pretest and the Main Study

Equity Condition	Mean	Std. D.	Min	Max
<i>Pretest</i>				
Low/Low \$400	3.97	1.19	1.00	5.25
High/Low \$400	3.51	1.42	1.50	5.25
Low/Low \$200	3.72	1.05	1.50	5.25
High/Low \$200	2.55	1.37	.75	4.25
Low/Low \$300	4.03	1.28	.75	5.25
High/Low \$300	2.56	1.32	.75	4.75
<i>Main Study</i>				
Low/Low \$300	5.19	1.18	1.00	5.50
High/Low \$300	4.45	1.22	.75	4.75

Table 4.2 MANOVA Results (H₂-H₃)

Variable	Multivariate	Univariate	
		Expected Material Gain	Customer Power
	f (df)	F (df)	F (df)
Perceived Equity	75.16* (2,161)	33.27* (1,162)	115.08* (1,162)

* significant at $p < .05$

Table 4.3 Results of Moderated Hierarchical Regression Analysis (H₄-H₆)

Variables	Opportunistic Claiming		
	1	Model 2	Model 3
Controls			
Age		-0.158	-0.069
Gender		-0.028	-0.045
Main Effects			
Expected Material Gain (EXP)			0.153*
Customer Power (CP)			0.505**
Interaction			
EXP X Centrality of Moral ID			-0.105†
ΔR^2			0.299
Adjusted R ²		0.011	0.304

Note: n = 164; Standardized coefficients are presented (β s).

†p < .10; *p < .05; **p < .01 (two-tailed significance tests).

The mean-centering technique (Aiken & West, 1991) was used for EXP, CP and the interaction term.

VIF estimates range for Model 4 (1.3-3).

Table 4.4 Pearson Correlations (n=164)

	1	2	3	4	5	6
1. Opportunistic Claiming	1.00					
2. Age	-.158	1.00				
3. Gender	-.027	-.006	1.00			
4. Expected Material Gain	.251	-.050	-.054	1.00		
5. Customer Power	.542	-.162	.052	.182	1.00	
6. Interaction Term	-.237	.147	.071	-.127	-.210	1.00

Table 4.5 Results Overview

H1: Severity of Service Failure → Overclaiming	Supported**
H2: Perceived Equity → Expected Material Gain	Supported*
H3: Perceived Equity → Customer Power	Supported*
H4: Expected Material Gain → Opportunistic Claiming	Supported*
H5: Customer Power → Opportunistic Claiming	Supported**
H6: Expected Material Gain*Centrality of Moral Identity → Opportunistic Claiming	Supported†

†p < .10; *p < .05, **p < .01

Figure 4.1 Conceptual Model

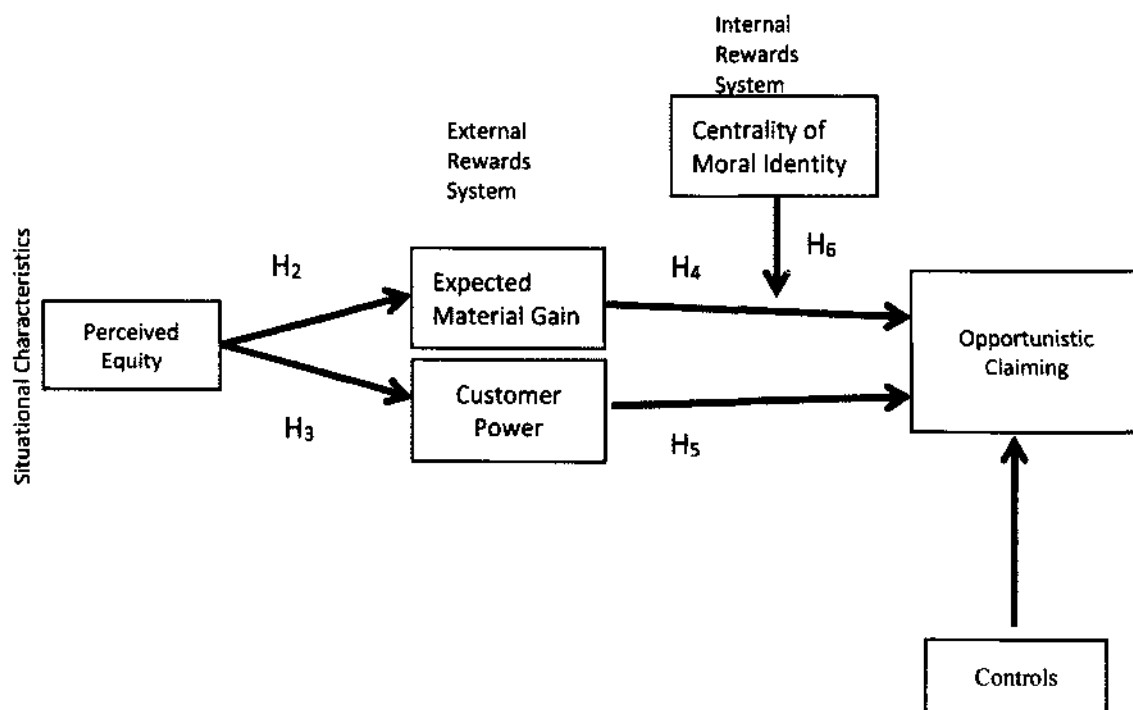
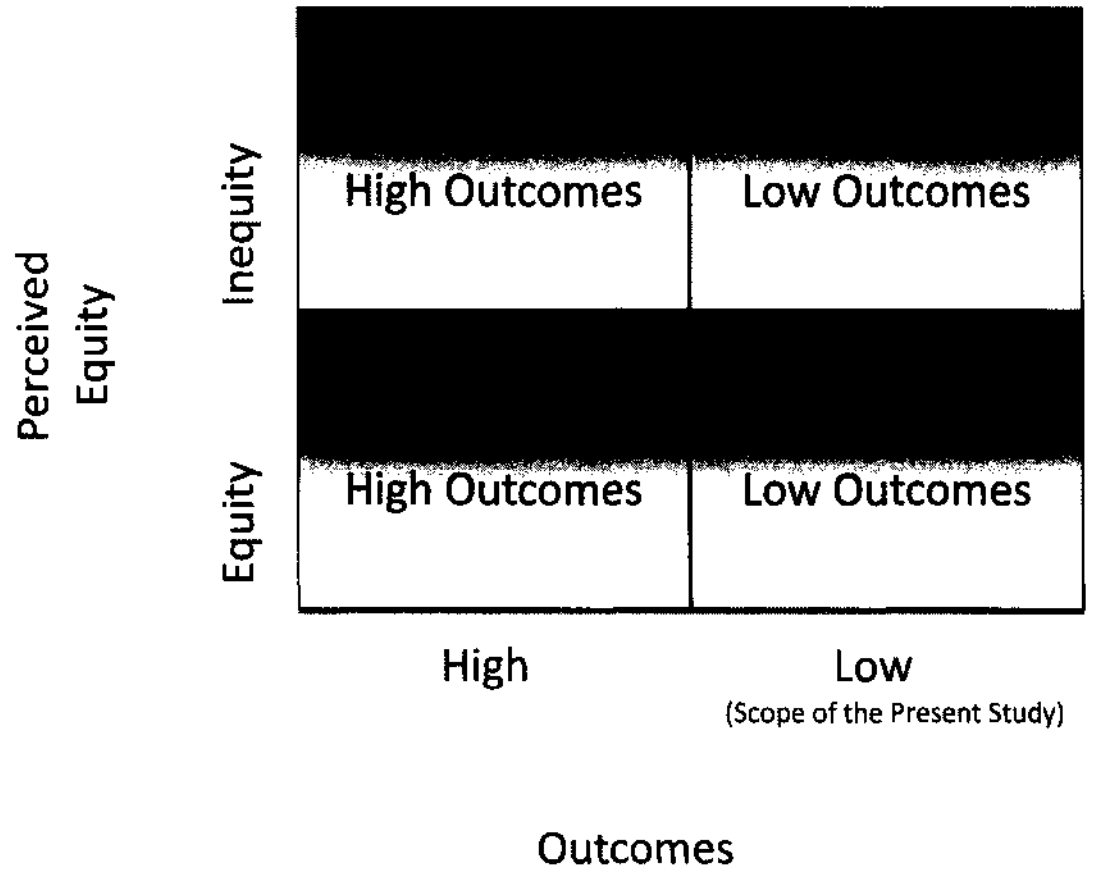


Figure 4.2 Equity Perceptions

CHAPTER 5

CONCLUSION

An increasing number of customers are attempting to take advantage of service failures and claim what they can, rather than what they deserve, given the service encounter circumstances.

Using the so-called triangulation approach, this study advances our knowledge in the area of opportunistic claiming as it adds to the studies that have been done before and investigates the phenomenon from two perspectives: front line employees and customers. As such, the results of the three essays uncover the existing gap between employees' and customers' perceptions as to what constitutes an illegitimate claim and a fair recovery effort on behalf of the company. Thus, what we knew from the limited literature about opportunistic claiming behavior was further enhanced by one conceptual and two empirical essays. As a result, this dissertation provides an empirical support for proposed conceptual framework and draws on insights from persuasion theories, economics and social psychology in attempt to advance our understanding of opportunistic claiming behavior.

This study presents and finds empirical support for two proposed models that explain a) what affects front line employees' judgment of a claim's legitimacy, b) what drives opportunistic claiming, and the process by which customers are motivated to claim opportunistically. Our study has specific findings that are new contributions to the literature, and offer managerial implications.

Theoretically, the major contribution to the marketing discipline is the direct application of persuasion theories to situations where firm employees and not the consumers serve as a target of persuasion attempts, whereas customers are regarded as a message source while voicing a complaint. From the customer perspective, negative inequity is a driver of opportunistic claiming. Thus, two individuals facing the same service failure will perceive different levels of inequity, driving them to claim opportunistically. As a result, negative inequity perceptions lead to a cost-benefit analysis on whether to voice a complaint or not; ultimately, if the benefits of the complaint actions far outweigh the costs, such analysis will drive the customer to claim opportunistically.

Based on the findings outlined above, the level of perceived inequity on the part of the customer given the offered compensation of the firm is the trigger point for the occurrence of opportunistic claiming. Thus, service providers need to better manage the customers' perceived equity, and its consequences.

Service providers should make every effort to assess the expected losses involved in the event of a service failure and offer a reasonable amount in compensation. The use of low end of possible compensation by service providers would by nature fuel perceptions of potential negative inequity from the standpoint of the harmed individual. Service providers should train their employees to understand that the same service failure may not be equally inequitable to each customer. If a partially negotiated process is used, employees should be encouraged to quickly evaluate the causes for the inequity, and in their interactions try to reduce the inequity by offering solutions in addition to the compensation for the service failure.

Employees should be trained to understand why consumers claim opportunistically—they expect greater material gain to compensate for the inequity that they perceived, and also feel that they now have a higher ability to influence the company to compensate them more. Customers experiencing a service failure assess external and internal rewards of pursuing the compensation for the failure, and evaluate the situation in terms of how much material gain they can have and to what degree they can influence the company. Employees may then be trained to lower expectations on both gains and ability to influence the provider by providing examples from the past. Thus, service providers should devise strategies that will dampen the effect of perceived inequity on expected material gain and customer power. For instance, certain industry standards related to service recovery and compensation based on the similar situations in the past should be clearly articulated by front line employees to the distressed customers in order to minimize the damaging effects of perceived negative inequity.

As such, claim's legitimacy perceptions, similar to perceptions of service delivery and failure are still subject to individual differences in both how the situations are framed and how consumers respond. It is clear that different employees who have the same experience will perceive claims differently and they will differ in their expectations of what constitutes attractiveness or trustworthiness. Although service firms cannot choose customers on the basis of individual differences, they should be sensitive to the fact that customer attractiveness and trustworthiness affect how front line employees react to service conflicts and subsequent claiming episodes. Perhaps service providers should look for ways to deploy customer conflict strategies that are consistent with employee's perceptions of higher levels of trustworthiness and attractiveness. The extent to which

these factors can be built in to the claiming context holds potential for reducing opportunistic claiming. After all, handling opportunistic claims more effectively may prove to be that elusive “holy grail” of sustainable competitive advantage in the future of ever intense and fierce competition.

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