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The impact of ethical cues on customer satisfaction with service

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Abstract

This study examines the effects of ethical and unethical cues on customers' evaluations of the ethics of a service provider and their subsequent satisfaction with the service. The results of a disguised, laboratory experiment are used to suggest that customers respond to unethical cues in the environment through lower ethical assessments and satisfaction ratings, but that ethical cues may not necessarily increase satisfaction scores when compared to a neutral situation. The implications suggest that ethical cues and an honest service provider may be the expected norm, and thus will lead to (or maintain) satisfaction with the service encounter, while unethical cues will create dissatisfaction.

Keywords: Ethical; Unethical Cues; Satisfaction; Service; Customer choice

Customers often evaluate retail service providers using intangible evidence, such as the cleanliness of the establishment, appearance of service personnel, or, perhaps, the ethical image and conduct of a firm. During the service encounter, the time of direct interaction with a firm's personnel, customers make inferences about store quality and image (Baker, Grewal & Parasuraman, 1994). Since customers evaluate the entire service encounter, not just the initial interaction with the provider (Brown & Swartz, 1989), a failure in one aspect of that encounter may influence the extent that customers use criteria other than the service success in evaluating satisfaction with the overall service performance (Taylor & Claxton, 1994). Thus, many aspects of the service encounter may affect a customer's level of satisfaction to a greater degree than just service success (Wakefield & Blodgett, 1994; Mohr & Bitner, 1995). While the specific salient criteria may vary, customers judge the ability of a service provider to comply with their subjective expectations relative to these criteria. That is, customers, search for evidence to judge the intangible qualities of a retail service provider, including the ethics of the service provider.

Definitions of ethical versus unethical behavior are based upon the degree to which a proposed act is perceived as right versus wrong, good versus evil, fair versus unfair or just versus unjust (Hunt & Vitell, 1986). Marketing ethics, more specifically, involve moral norms as they relate to fair and just exchange relations and concern marketing-related issues. Customer expectations concerning fair and just treatment by the seller within a given retail environment, such as a retail service setting, for example, involve marketing ethics issues. It is also important to note that ethics and legality are not necessarily the same. Certain behaviors may be legal (i.e., an advertising campaign that is offensive to certain minority groups), but still be questionable ethically.

A number of prior studies have emphasized the social perceptions of specific actions by comparing customer judgments of various marketing issues (Vitell & Muncy, 1992), judging retail personnel (Dubinsky & Levy, 1985) as ethical versus unethical or by differentiating ethical judgments based on demographic characteristics such as occupation (Glenn & Van Loo, 1993) or gender (Tsalikis & Ortiz-Buonafina, 1990). However, no research has examined whether household consumers use their perceptions of a retailer's ethical behavior to form judgments of service performance. Our goal in this research, therefore, is to assess this issue by examining the extent to which (ethical vs. unethical cues may affect customers' ethical assessments and overall satisfaction ratings during a retail service encounter.

Toward this end, we develop below testable hypotheses, present our research methodology including extensive ma-

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nipulation checks and set forth the results of several different tests. We conclude with a discussion of the importance of ethical behavior in retail operations and to customer satisfaction.

1. Hypotheses

Customers approach a retail interaction with preformed expectations (Mohr & Bitner, 1995) including definite ethical expectations, consisting of an implied moral standard for the behavior of retail service providers. That is, a customer will consider the behavior of a retailer as ethical if it meets or exceeds the moral/ethical norms that are expected by that customer relative to the particular retail environment in question. If the customer's ethical expectation is supported and reinforced, then it will positively affect the customer's overall satisfaction with the transaction. If not, the customer's overall satisfaction will likely be negative. This notion is quite consistent with a "disconfirmation of expectations" model where a customer is satisfied if performance exceeds expectations and dissatisfied if performance falls short of expectations (Oliver, 1980).

Oliver and Swan (1989) extended Oliver's "expectancy disconfirmation" model by examining perceptions of interpersonal equity and its impact on satisfaction. Their findings showed satisfaction as being a function of both fairness and expectancy disconfirmation. That is, if customers believe that the seller treated them fairly and if expectations for the service encounter are met or exceeded, then customers will experience satisfaction. If, on the other hand, customers believe that the seller treated them unfairly and if expectations are not met, then they will be dissatisfied. If customer satisfaction is viewed as a judgment based on a specific service encounter, then service providers must meet or exceed expectations of ethical treatment. If customers perceive that they are treated unfairly, they are likely to be dissatisfied with the service encounter (Cronin & Taylor, 1994).

Tested within an industrial setting, this concept was supported by Trawick et al. (1991) who noted that as the perceived ethics of industrial salespeople declined, buyers' intentions to use the related supplier declined. Given the close link between satisfaction and intentions, one may deduce that increased dissatisfaction led to the decline in intentions.

Similarly, the arguments that have been applied to satisfaction may also be applied to ethical assessments. The customer's ethical assessment of the service provider will be positive if the service provider exceeds the customer's ethical expectations and will be negative if the service provider falls short of these same ethical expectations. From this, the following hypotheses regarding ethical cues are postulated:

H_1: A customer's exposure to ethical cues versus a neutral group without these cues will result in increased:

H_{1a}: ethical assessments of the service provider;

H_{1b}: satisfaction with the service outcome.

H_2: A customer's exposure to unethical cues versus a neutral group without these cues will result in decreased:

H_{2a}: ethical assessments of the service provider;

H_{2b}: satisfaction with the service outcome.

2. Methodology

2.1. Experimental treatments

An experiment was conducted to assess customers' reactions to cues in a service environment. Subjects in the experiment reacted to videotaped portrayals of a service encounter at an automobile repair shop with one of three distinct conditions (ethical, neutral, unethical) presented. These distinct conditions manipulated the use (or nonuse) of ethics-related cues in the environment. Preliminary focus groups were used to select the specific cues used as manipulations that included whether or not a code of ethics was displayed, uncertainty/certainty over the price estimate for repairs, return of a replaced (old) part or not, and the use/nonuse of unapproved recycled parts. After viewing all scenes of the videotape, respondents answered questions concerning their ethical assessments, perceived satisfaction, and demographic characteristics.

The introduction of more than one change across treatments was selected to more closely represent a real service experience. All scenarios were designed to be identical (with the same backgrounds, actors, cars, and scripts employed in each scenario) except for the experimental manipulations that are shown in italics within the scenario descriptions.

The **Ethical** scenario consisted of three scenes: (1) In the first scene, respondents view a young male customer approaching a male mechanic in the reception area of the shop as he describes a problem with the car. *A 10-point Code of Ethics is displayed on the wall behind the mechanic, large enough to be read on the television monitor.* The mechanic provides an estimate of $170 for repairs, and then after *checking the price on a computer terminal, modifies the estimate to a total of $172.53.* (2) The second scene occurs inside the repair shop with the mechanic looking under the hood and confirming the diagnosis of a bad fuel injector with a two hour time estimate to complete. This scene is exactly the same in all three videos. (3) Finally, the customer enters the shop, starts the car, *receives the old part back from the mechanic*, and pays $172.53 with a check.

The **Unethical** scenario consisted of three scenes as well, where: (1) first, the young man approaches the mechanic in the reception area and describes a problem with the car (the ten-point code of ethics is *not displayed* on the wall). The mechanic pauses and provides an *uncertain* estimate of the cost as, "*anywhere from $120 to $220.*" (2) The second scene is the same as in the ethical treatment videotape where