Don't call me "brand loyal": the role of market metacognition on market-related labeling effectiveness

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June 2013.

Abstract

Labeling a customer as being "brand loyal" is a common marketing practice. Building on the literature on social labeling, marketplace metacognition and skepticism, we investigate the effects of such a practice. We find that skepticism, conceptualized as an expression of marketplace metacognition activation, mitigates labeling effectiveness. More precisely, the label is effective only when it does not trigger skepticism, i.e. when the label is congruent with self-perceptions. However, when the label is not congruent with self-perceptions, it arouses skepticism and has a negative impact on future loyalty intentions. We discuss the implications for customer relationship management.

Keywords:
Social labeling, loyalty, marketplace metacognition, skepticism.

1. Introduction

"Dear loyal customer". We've all received a letter, an email or a phone call praising our loyalty to specific brand. Labeling customers as being "brand loyal" is indeed a common practice used in marketing strategies in order to develop the customer relationship. How do consumers actually evaluate and respond to market-related labeling? While companies widely use such practices to foster the relationship with their best customers, their actual impact on behaviors has not been clearly established. While this practice might appear always beneficial to praise customers' positive behaviors, companies do not necessarily try to evaluate its relevance. Moreover, despite abundant marketing literature on customer loyalty, the consequences of market-related labeling have not been studied.

However, two streams of research may help better understand the potential outcome of labeling someone as "brand loyal". On the one hand, literature on social labeling - which consists in providing a "label" to someone with the aim of influencing behaviors - predicts that this practice should reinforce customer loyalty. On the other hand, the label is granted by "companies", presumed by many to be working for their own interest. Hence, the label may not be as effective. Consistent with findings on marketplace metacognition and skepticism, we could assume that a "brand loyal" label given by a company may even have a negative impact on customer loyalty. In order to answer this question, we conduct an experiment in which we apply "brand loyal" label and evaluate its influence on future loyalty intentions.

2. Theoretical Background

2.1. The effectiveness of social labeling as a persuasion technique

Social labeling consists in providing a "label" to someone with the aim of influencing future behaviors. For instance, congratulating a person for his/her generosity may reinforce the individual willingness to actually give money. According to Cornelissen et al. (2007, p. 278), social labeling is "a persuasion technique which consists in providing an individual with a statement about his personality or his values, in order to cause a behavior consistent with this label". In a famous experiment, Miller, Brickman and Bollen (1975) showed the effectiveness of social labeling (telling children they are tidy). Compared to a more "traditional" technique of persuasion (explaining the reasons for being tidy), they found that social labeling was more effective in terms of sustainable behavior change. Because the label created a link between who they are and the behavior that is expected of them, children throw less paper when they are labeled "clean and tidy" that when they are told to be "clean and tidy". The social psychology literature exhibits consistent findings on the effectiveness of social labeling (e.g. Kraut, 1973; Strenta & deJong, 1981; Cornelissen et al, 2007). However, social labeling may not be effective for all contexts (e.g. Tybout & Yalch, 1980).

2.2. The moderating role of marketplace metacognition and skepticism

Labeling a customer as "brand loyal" is not the same thing as labeling a person as being "clean" or "generous". Indeed, this label does not designate an individual stable personality trait but is related to a situational and commercial behavior (i.e. purchase). Moreover, the label "Brand loyal" is given by companies – considered by many as non neutral entities. Thus, receiving the "brand loyal" label may trigger questions about the purpose behind the label and activate marketplace metacognition.

Marketplace metacognition (MM) (Wright, 2002) corresponds to a social intelligence related to commercial activities (e.g. advertising manipulative goals). It is an emerging perspective in marketing that emphasizes the importance of consumers' thinking about market-related events (Craig et al., 2012, p 363). This specific intelligence allows consumers for a personal interpretation of marketing techniques used by sellers and firms. It also provides guidelines on how to make optimal decisions in purchasing contexts. MM may be considered as both an individual variable (stable beliefs) and a contextual variable (beliefs activated when the situation seems relevant). Individuals will use their MM to interpret the speech of an interlocutor whether they are naturally distrustful or specifically distrustful in reaction to a given context or content.

When MM is activated, people will adjust their interpretation to prevent their judgments from being manipulated. According to the Flexible Correction Model (Wegener and Petty, 1995, 1997), when individuals' naive theories about judgment bias are activated (e.g. beliefs about marketers skills to manipulate consumers), then cognitive resources allocated to the information processing are enhanced. According to Brown & Krishna (2004), MM activation leads to skepticism, which precisely refers to consumer distrust of marketers' actions. Skeptical individuals will not systematically consider the content of the firm's discourse as true (Fournier, 1998; Obermiller & Spangenberg, 1998) - and will be more critical and careful while processing information. Thus, if the message can be considered as deceptive or as an influence attempt, individuals may more likely reject its content.

3. Hypotheses development

Individuals may become skeptic when claims are contradictory or difficult to verify (e.g. Folkes, 1988; MacKenzie & Lutz, 1989). Discrepancies between label and self-perception has been otherwise proven to reduce the labeling effect (Tybout & Yalch, 1980). Because companies are generally presumed to seek their own interest, the label could be interpreted as an attempt to obtain something in exchange and trigger MM. Granting an incongruent label with individuals' self-perception may lead consumers to become more skeptical. Thus, we posit that incongruency between the label and self-perceived *a priori* loyalty (before labeling) leads to higher skepticism:

> **H1**: *Skepticism is higher in the presence vs. absence of the label*
> **H2**: *The impact of the label on skepticism is moderated by self-perceived loyalty: in the presence of the label, skepticism is higher (lower) when loyalty is low (high)*

Consistent with the findings from both social labeling and skepticism researches, our assumption is that a label used by a company will be interpreted by skeptical consumers as manipulative. Thus, a "brand loyal" label will increase future loyalty intentions when individual skepticism is low. However, when individual skepticism is high, "brand loyal" label will be

processed as a manipulative persuasion attempt from the brand and will decrease future loyalty intentions. Therefore, we posit the two following hypotheses:

> ***H3****: Loyalty intentions are higher in the presence vs. absence of the label*
> ***H4****: The impact of the label on loyalty intentions is moderated by skepticism: in the presence of the label, loyalty intentions are higher (lower) when skepticism is low (high)*
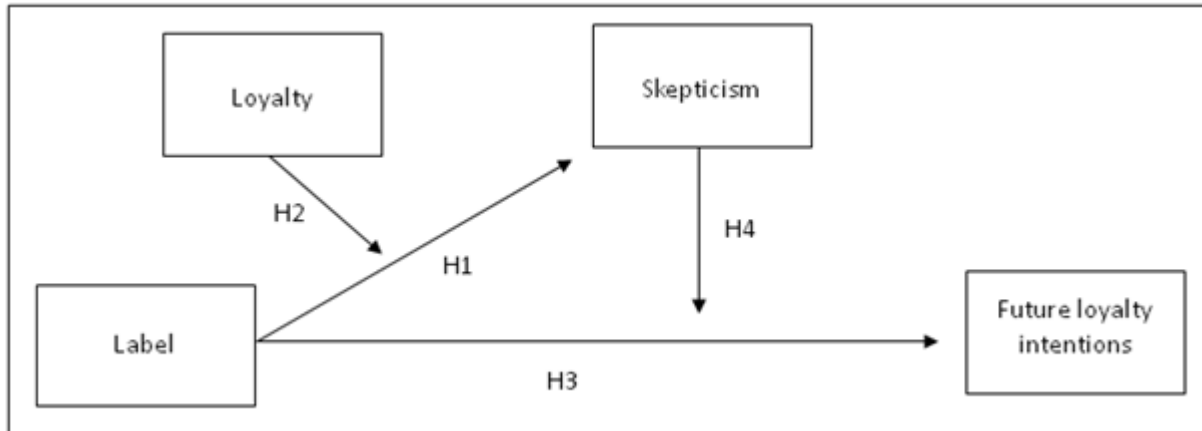

Figure 1. Research hypotheses

4. Method

We used a 2 ("brand loyal" label vs. control condition) between-subject experiment. 85 undergraduate students participated in this study, which was embedded in a set of unrelated studies, and received bonus course credit for their participation.

Researches on social labeling have shown that testing the impact of a label requires that respondents consider this label as credible and legitimate. Therefore, two manipulations can be efficient: using recent behavioral proves (Kraut, 1973) or using results of psychological tests (e.g. Jensen & Moore, 1995). Our experiment followed the latter procedure. The questionnaire was divided into three steps.

- The first part was devoted to questions about relationship with H&M (a pre-test showed that H&M was considered neither an extremely positive nor extremely negative brand and that it was well known by students). Part 1 started with a measure of a self-perceived loyalty, measured with 4 items adapted from Melnyck, van Osselaer & Bijmolt (2009). This measure was followed by general questions about H&M - designed to favor positive responses (i.e."*I believe that H&M offers a wide selection of clothes*") - in order to reinforce label legitimacy.
- The second part provided a feedback on participants' answers in part 1. Participants were randomly assigned in one of the two following conditions. In the "brand loyal" label condition, participants were notified that they belonged to the H&M most loyal customers, and were specifically told "You are a loyal customer". In the control

condition, participants were only thanked for their answers and invited to continue the survey.

- In the third part, respondents answered questions regarding future loyalty intentions and level of skepticism. Future loyalty intentions were measured through a 8-items scale regarding future purchase intentions, choice of the brand, readiness to make a detour and willingness to recommend the brand to others (adapted from Braku, Schmitt & Zarantello, 2009 and Wagner, Hennig-Thurau & Rudolph, 2009). We measured Skepticism using a 4-items scale to evaluate perceived sincerity, perceived honesty, perception that the brand was seeking its own interest and perception that the brand was manipulative adapted from Brown and Krishna (2004).

5. Results

First, the results from an ANOVA showed that the mean of skepticism is significantly higher when the label is present vs. the control condition (M=3.90 vs. M=3.40; $F(1,84)=5.72$; $p<.05$). H1 is validated.

Second, a regression was performed on skepticism with independent variables (i) a dummy variable for whether or not the label was present, (ii) loyalty, and (iii) their interaction (Fitzsimons, 2008). The results showed a significant two-way interaction between loyalty and whether the label was present or not (b=-.45; t=-2.74; $p<.01$). To explore the interaction, we examined the slopes of loyalty at each level of label presence. The slope of loyalty was significant and negative when the label was present (b=-.27; t=-2.46; $p<.05$), while the slope of loyalty was not significant when the label was not present (p=.14). In addition, a spotlight analysis at one standard deviation below the mean of loyalty showed a significant difference such that consumers with low loyalty had higher purchase intentions when the label was present versus when it was not. (b=1.05; t=3.73; $p<.01$). A similar spotlight analysis at one standard deviation above the mean of loyalty was not significant, such that consumers with high loyalty had no differences in purchase intentions when no label was present versus when the label was present (p=.88). H2 is supported.

Third, the results from an ANOVA showed that there is no significant difference in future loyalty intentions' means between the presence of label vs. control condition (F<1). H3 is not validated.
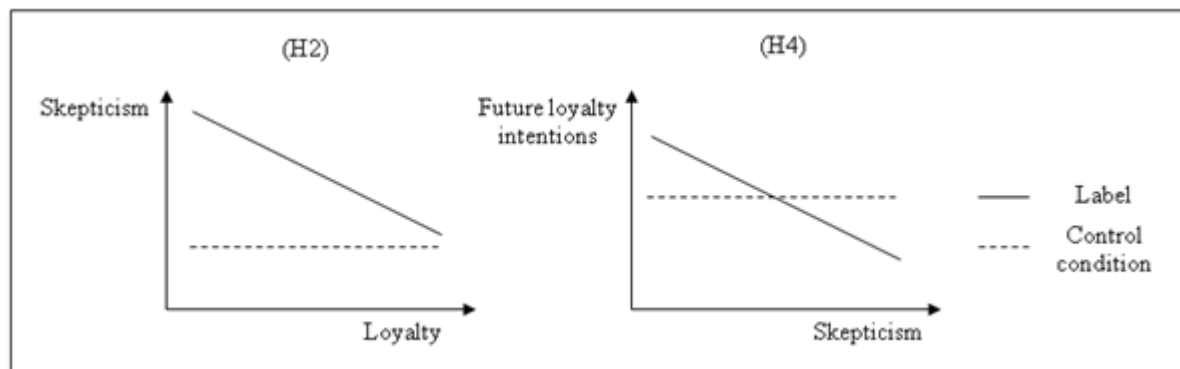
Figure 2. Results from moderation analyses

Fourth, a regression was performed on future loyalty intentions with independent variables (i) a dummy variable for whether or not the label was present, (ii) skepticism, and (iii) their interaction (Fitzsimons, 2008). The results showed a significant two-way interaction between skepticism and whether the label was present or not (b=-.75; t=-2.98; p<.01). To explore the interaction, we examined the slopes of skepticism at each level of label presence. The slope of skepticism was significant and negative when the label was present (b=-.61; t=-3.45; p<.01), while the slope of skepticism was not significant when the label was not present (p=.43). In addition, a spotlight analysis at one standard deviation below the mean of skepticism showed a significant difference such that consumers with low skepticism had higher future loyalty intentions when the label was present versus when it was not. (b=.79; t=2.31; p<.05). A similar spotlight analysis at one standard deviation above the mean of skepticism was negative and significant, such that consumers with high skepticism had lower future loyalty intentions when the label was present versus when it was not (b=-.72; t=-2.01; p<.05). H4 is supported.

6. Discussion

Our work not only extends the researches on social labeling to the marketing field but also underlines specificities of market-related labels. While social labeling technique had been used so far as a tool to encourage pro-social behaviors (e.g. convince individual to be more generous), our work is the first attempt to investigate its effect in a commercial context. Our findings show that labeling might also be effective to influence consumer behavior. However, because the "brand loyal" label comes from a commercial entity, marketplace metacognition, and more particularly skepticism plays a significant role. We find that the label is effective only when it does not trigger skepticism, i.e. when the label is congruent with self-perceptions. However, when the label is not congruent with self-perceptions, it arouses skepticism and has a negative impact on future loyalty intentions. Therefore, companies should call "brand loyal" only those customers who have already developed a strong relationship with the brand.

However, this study presents some limitations. First, our sample is composed of students and limited to a single product category. However, students are involved in clothing category and

have a good knowledge of the chosen brand, which facilitates the credibility of the "brand loyal" label. Second, our results are obtained in a hypothetical lab experiment, future research could replicate the study in a real marketing context. Third, we focused in this study on skepticism as an expression of marketplace metacognition. Consistent with Brown and Krishna's experiment (2004), future research might directly manipulate marketplace metacognition as an alternative way to investigate its relationship with labeling effectiveness.

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