



INDIAN INSTITUTE OF MANAGEMENT CALCUTTA

WORKING PAPER SERIES

WPS No. 657/ May 2010

Impact of apologetic vs. defensive selling strategies under negative corporate publicity:

Exploring the role of customer trust and gratitude

Authors

Prof Ramendra Singh, Marketing Group, Indian Institute of Management Calcutta; Joka;

Kolkata 700104, Phone: 91-33-24678000 (Ext-552), Email: ramendra@iimcal.ac.in

Yi Xie, Doctoral Candidate, Marketing Department,

Impact of apologetic vs. defensive selling strategies under negative corporate publicity:

Exploring the role of customer trust and gratitude

Abstract

Violation of consumer trust is one of the immediate dangers when companies face negative publicity in the market. Similarly, customer reciprocity towards such firms, in form of their gratitude also gets adversely affected under such circumstances. However, previous research have focused only on the firm-level strategies when assessing the adverse impact. In this research, for the first time, we study the impact of salespersons' selling strategies to customers (apologetic and defensive selling strategies) under negative corporate publicity. Using a series of propositions, we highlight the impact of these two selling strategies on customer trust and gratitude. The managerial implications of this study suggest that appropriate use of apologetic and defensive selling strategies should enable salespersons to mitigate the impact of negative publicity of companies on their customers.

Impact of apologetic vs. defensive selling strategies under negative corporate publicity:

Exploring the role of customer trust and gratitude

Negative corporate publicity in the current time may take variety of forms, making the corporate entities an object of close stakeholder scrutiny. Extant research in this area (e.g., Coombs & Holladay, 2001; Pullig, Netemeyer, and Biswas, 2006) suggests that multiple aspects of the affected organization may be exposed to damage, once the publicity spreads in the marketplace. The harmful impact of negative publicity may be attributed to its nature of credibility, and people's general tendency to emphasize negative information, rather than company initiated communication. Recently, more extensive detrimental effects have been identified, such as spillover to other related brands (Dahlén and Laegreid, 2006), and increased vulnerability to competitors' marketing mix actions (Van Heerde, Helsen, and Dekimpe, 2007).

Scholars have revealed a growing concern about consumer reactions to negative publicity and the efficacy of various coping strategies. (Aggarwal et al., 2001; Pullig et al., 2006). For example, Dawar and Pillutla (2006) suggest that organizational responses to crises can fall into a continuum flanked by unambiguous support and ambiguous stonewalling. Beyond the direct harmful impact of the publicity, recent studies further explore factors that can moderate this process. For example, prior positive expectations held by consumers can weaken the negative effect of an inappropriate coping response on brand equity (Dawar and Pillutla, 2000). Also, firms can evade the publicity and regain a favorable brand reputation by investing on social

(Stammerjohan et al., 2005). Dán and Lange (2006) add that the negative publicity of one brand may spill over to others.

Role of salespersons under negative corporate publicity

However, most of the existing literature focuses on investigating how a company as an entity should take corporate actions and neglect impact of salespersons, who may play a significant role in the process of repairing trust under negative publicity. Salespersons are important in the negative publicity scenarios due to the consumer perception of them as corporate representatives who are accessible, humanized, help build corporate trust in everyday business situations. It is well-documented that a significant role of the salesperson lies in creating and maintaining customer trust (e.g., Moorman, Zaltman, Deshpande, 1992). Furthermore, it is inevitable that salespersons have to confront with customer inquiries and consultation, which makes it even more important that they are prepared to face tricky confrontation with customers. Salespersons are often also in a advantageous position to reduce consumers' negative response

with business crisis (Lo and Cameron, 2004), but the results are largely divided. Then, given

In this paper, we address these issues highlighting the role of customer trust and gratitude and the impact of defensive vs. apologetic selling strategies under the circumstances where customer trust and gratitude towards salespersons may vary as a consequence of the negative publicity. Based on the propositions, we also provide meaningful managerial, and research implications in the paper.

Development of Research Propositions

(under similar levels of customer trust).

P1: Apologetic selling strategy by salespersons is more effective than defensive selling strategy under negative corporate publicity.

However, customers may attribute different causes to company's mistakes and responsibilities under negative publicity, and therefore depend on their attributions, their trust on the company and its representatives may vary. Therefore, we also posit that:

P2: Apologetic selling strategy by salespersons (under negative corporate publicity) is more effective when customers' trust on salesperson is low (than high).

and

P3: Defensive selling strategy by salespersons (under negative corporate publicity) is more effective when customers' trust on salesperson is high (than low).

Customer Trust and Purchase Intentions under negative publicity

The dynamic and complex role played by salespeople in long-term relational selling paradigm enhances the customer's perception and evaluation of the salesperson's efforts to manage the often multifaceted relationship over time (Frazier, 1983). A salesperson is considered the primary contact point for the customers (Homburg and Stock, 2004), and are primarily responsible to

make successful relationship with them (Wilson and Jantrania, 1995). The increased emphasis on the salesperson becomes even more important in competitive environments, when customers seek long-term relationships, high level of contact and increased value added services from salespeople (Liu and Leach, 2004). Juntley (2006) found that when the trust was high, customers purchased more from the seller, and were more willing to recommend the seller's offerings to colleagues. Since trust is also a dimension of relationship quality, and also consists of evaluations of various aspects of relationship like attitudinal, process and future expectations (Jap et al., 1999), higher quality of relationships creates bond between the buyer-seller members for both to reap benefits beyond the mere exchange of goods (McNeil, 1980). This is consistent with the social penetration theory, which states that partners will continue to deepen a relationship as long as anticipated benefits exceed anticipated costs (Altman and Taylor, 1973).

We therefore posit that relationship between the salesperson's selling strategies and customer's future purchase intention is moderated by

person's trustworthiness, which results in higher trust (Dunn and Schweitzer, 2005). It is also argued that people who trust partners must rely on their perceptions of the trustee's characteristics (e.g. ability, integrity, benevolence) to develop expectations about the trustee's further behaviour and positive emotions such as gratitude significantly influence these perceptions and increase trust (Dunn and Schweitzer, 2005).

When people do something of their own accord or act on their own free will (e.g. giving a free gift to someone or performing a random act of kindness). It has been shown that any relational investment which is non contractual and random in nature, generate high levels of gratitude (Wood et al. 2008). Recipients of discretionary investment tend to feel more grateful, in contrast, contractual, role based, or persuasion based investment because feelings of gratitude (Morales, 2005; Tsang, 2006; Wood, 2008). People feel more grateful to benefactor when they feel that the positive behaviour fall within the benefactor's volition control (Weiner, 1985). Therefore, when customers perceive that the investment done by a salesperson is a random act or a free will, they feel more grateful compared to when they perceive the act is duty based obligation or a contractual requirement (Malhotra and Murlighan, 2002; Roberts, 2004). Based on this understanding of predictors of customer gratitude, we posit that:

P5a: Customers are more likely to show higher gratitude towards salesperson (under negative corporate publicity), under apologetic (vs. defensive) selling strategy.

P5b: Customers are more likely to show lower gratitude towards salesperson (under

negative corporate publicity), under defensive (vs. apologetic) selling strategy.

Since gratitude is a precursor to customer commitment and future purchase intentions, we also posit that:

P6: High customer gratitude towards salesperson (under negative corporate publicity) will lead to higher customer purchase intentions under apologetic (vs. defensive) selling strategy.

P7: Low customer gratitude towards salesperson (under negative corporate publicity) will lead to higher customer purchase intentions under defensive (vs. apologetic) selling strategy.

P7 and P8 expected results are shown in Figure 2.



Figure 2: Comparison of defensive and apologetic selling strategies on customer purchase intentions under the moderating impact of customer gratitude

Discussion

It is important to realize that salespersons are a credible source of information for customers, can play a proactive role in alleviating the negative impact of adverse information or publicity faced by companies. Salespersons are the relationship builders with customers, and their importance in sustaining these relationships under trust damaging situations, cannot be undermined. Our study for the first time highlights the importance of a company's boundary spanners in crisis management, going beyond the role they play in bringing sales revenues into the companies. We show in this conceptual paper through a series of propositions, how salespersons can smartly choose their selling strategies with customers to leverage their trust built by them in their relationship to optimize sales, and repair trust-damage to an extent by the use of appropriate selling strategy.

In the relational selling paradigm, customer trust and gratitude has an important role to play and therefore, the salesperson should adapt their selling strategies accordingly. When companies face negative publicity, the customers are looking for reasons to attribute the cause, and reach a conclusion about 'whose fault it was?' Under these circumstances, salesperson can use defensive or apologetic selling strategy depending on the degree to which customer trust and gratitude has

been violated, and how much can be saved from being violated.

Our study highlights that use of defensive strategy by salespersons will work more effectively with customers when customer trust is not violated. However, in the adverse case of trust being already violated (and therefore the customer trust is low), only an apologetic selling strategy will work. Similarly, if customer trust remains, and salesperson attempts to sell to customers using defensive strategy, s/he is more likely to succeed in getting an order. On the other hand, if the customer's trust is low, then an apologetic selling strategy can work, if at all.

We also show that customer gratitude has an important intermediary role to play in such situations. It is likely that customers show higher gratitude towards salesperson (acting as company representative) when the salesperson is using apologetic selling strategy. Companies can leverage this situation meaningfully, as a defensive selling style can sometimes aggravate the situation and make it only worse. Some customers would show more gratitude than others, and for such customers the salespersons should use apologetic selling strategy and vice-versa with customers with low gratitude.

Managerial Implications

The study has several managerial implications. The study highlights the

violation of customer's trust, and show of gratitude is often immediate, salespersons that play an important role in building customer relationships can also be helpful in sustaining these relationships by reducing further erosion of customer trust, and rebuilding trust to some extent. Similarly, customer gratitude also plays an important role during such crises before the companies. In such situations, the salespersons

on the spillover effect of marketing communication *Journal of Marketing Research*, 38 (November), 458-470.

Altman, Irwin and Dalmus A. Taylor (1973) *Social Penetration: The Development of Interpersonal Relationships*.

Journal of Social and Clinical Psychology, 19, 56-69.

Ferrin, D. L., Kim, P. H., Cooper, C. D., & Di

Administrative Science Quarterly, 47 (9), 534-559.

- McCullough, M. E. Emmons, R. A. and Tsang, J. A. (2002). The Gratitude Disposition: A conceptual and Empirical Topography *Journal of Personality and Social Psychology*, 82 (3), 112-127.
- McCullough, M. E. Emmons, R. A. Kilpatrick, D. and Larson, D. B. (2001). Is Gratitude a Moral Affect? *Psychological Bulletin*, 127 (3), 249-266.
- McNeil, Ian R. (1980) *The New Social Contract: An Enquiry into Modern Contractual Relations*. New Haven: Yale University Press.
- Millar, F. E. and L. E. Rogers (1987), "Relational Dimensions of Interpersonal Dynamics," in *Interpersonal Processes: New Directions in Communication Research*. Vol.14. M. E. Roloff and G. R. Miller, eds. London: Sage Publications, Inc.
- Moorman, C., Zaltman, G., & Deshpande, R. (1992). Relationships between providers and users of market research: The dynamics of trust within and between organizations. *Journal of Marketing Research*, 29(3), 314-328.
- Morales, A. C. (2005). Giving Firm an 'E' for Effort: Consumer Response to High Effort Firms. *Journal of Consumer Research*, 31(3), 806-812.
- Morgan, R. M., & Hunt, S. D. (1994). The commitment-trust theory of relationship marketing. *Journal of Marketing*, 58 (July), 20-38.
- Palmatier, R. W., Jarvis, C. B., Bechhoff, J. R. and Kardes, F. R. (2009), "Role of Consumer Gratitude in Relationship Marketing," 73, 1-45.
- Pullig, C., Netemeyer, R. G., & Biswas A. (2006). Attitude basis, certainty, and challenge alignment: A case of negative brand publicity *Journal of the Academy of Marketing Science*, 34(4), 528-542.
- Roberts, R. (2004). The Blessings of Gratitude: A Conceptual Analysis In The psychology of gratitude, Robert A. Emmons and Michael E. McCullough eds. New York: Oxford University Press, 58-78.
- Roehm, M. L., and Tybout, A. M. (2006). When will a brand scandal spill over, and how should competitors respond? *Journal of Marketing Research*, 43(3), 366-373.
- Rousseau, Denise M, Sim B. Sitkin, Ronald Burt, and Colin Camerer (1998), "Not So Different After All: A Cross-Discipline View of Trust," *Academy of Management Review*, 23 (3), 393-404.
- Schoorman, F. D., Mayer, R. C., & Davis, J. (2007). An integrative model of organizational trust: Past, present, and future. *Academy of Management Review*, 32(2), 344-354.

- Sirdeshmukh, D., Singh, J., & Sabu, B. (2002). Consumer trust, love, and loyalty in relational exchanges. *Journal of Marketing*, 66(1), 15-37.
- Stammerjohan, C., Wood, C. M., Chang, Y., & Tsou, E. (2005). An empirical investigation of the interaction between publicity, advertising, and previous brand attitudes and knowledge. *Journal of Advertising*, 34(4), 55-67.
- Swan, John E., Michael R. Bowers and Lynn Richardson (1999), "Customer Trust in the Salesperson: An Integrative Review and Meta-Analysis of the Empirical Literature," *Journal of Business Research*, 44, 93-107.
- Tsang, J. A. (2006). The Effect of Helper Intention on Gratitude and Indebtedness, Motivation and Emotion, 30 (9) 199-205.
- Van Heerde, H., Helsen, K., Dekimpe, M. (2007). The impact of a product-harm crisis on marketing effectiveness. *Marketing Science*, 26(2), 230-245.
- Weiner, B. (1985). An attributional theory of achievement motivation and emotion. *Psychological Review*, 92, 548-573.
- Wilson, D. T., and S. Jantira (1995), "Understanding the Value of a Relationship," *Asia-Australia Marketing Journal*, 2(1), 55-66.
- Wood, A. M.; Stewart, N. Maltby, J. and Linley, P. A. (2008). A Social-Cognitive Model of Trait and State Levels of Gratitude. *Emotion*, 8(2), 281-290.
- Young, L. (2006). Trust: Looking Forward and Back. *Journal of Business and Industrial Marketing*, 21 (7), 439-445.