Same Wrong, Different Restitution?
Heightened Sensitivity to Inequitable Treatment in the Context of Apology

EMILY ROSENZWEIG
CLAYTON R. CRITCHER

Emily Rosenzweig (erosenzw@tulane.edu) is an assistant professor of marketing, Tulane University, New Orleans, LA, 70118. Clayton Critcher (ClaytonCritcher@haas.berkeley.edu) is an associate professor of marketing, cognitive science, and psychology at the University of California Berkeley, Berkeley, CA, 94720. Correspondence: Emily Rosenzweig.
CONTRIBUTION STATEMENT

As companies grow more sophisticated in identifying their most valued customers, it also means that marketing efforts—including service repair efforts—are becoming increasingly customized and thus inequitable. Although consumers rarely appreciate being treated worse than other customers, we find such unequal treatment is particularly upsetting in the context of companies apologizing for their wrongdoing. We begin by identifying the precise circumstances that make inequitable (vs. equitable) treatment particularly galling. We then rely on this mechanistic understanding to offer practical strategic suggestions for how apologizing companies can have their cake (by catering to high-value customers) and eat it too (by minimizing anger among their broader customer base).

Whereas previous research has typically studied service repair strategies (e.g., apology, compensation) in isolation, we take a new approach by showing how one (apology) constrains use of another (compensation). Also, existing research on preferential treatment has focused on what factors diminish people’s enjoyment of their privileged situation. Our work instead examines what exacerbates or reduces the sting of unfavorable treatment. In particular, we are the first to consider inequitable treatment in the context of restitution as opposed to rewards or bonuses. Furthermore, our studies emphasize why this context shift matters: When companies aim to restore relationships with customers, strict prescriptive norms of restorative justice constrain what forms service repair are expected to take.

The rise of digital marketing means service failures are more likely to affect multiple customers at once. It is also easier than ever for customers to share the specifics of their experiences—including companies’ attempts at restitution—with each other. This makes our
own work particularly timely. Companies can no longer expect customers to evaluate their service repair efforts in a vacuum. Our work offers a cautionary lesson as well as practical advice to inform such service recovery efforts.
ABSTRACT

Companies often treat customers differently based on their perceived value to the firm. Although average customers may not relish witnessing others receive superior treatment, the present paper examines a context in which differential treatment is particularly galling. We argue that the inequity penalty—the difference in how morally wronged consumers feel when they are treated worse than versus the same as others—is particular acute in the context of apology. When companies are attempting service repair, apologies carry prescriptive norms of restorative justice. Namely, the principle of proportionality holds that restitution should be proportional to harm suffered. Inequitable treatment accompanying an apology can violate this norm. Studies 1-3 demonstrate this heightened inequity penalty and tie it to restorative apologies offered in the service of mending customer relationships (rather than merely expressing empathy). Studies 4-5 explore the role of the principle of proportionality in producing these effects. We examine which harms—those directly inflicted by a company or those that are the indirect result of a company’s actions—factor into such calculations. Guided by insights from our earlier studies, Study 6 tests two ways companies can compensate higher-status customers more handsomely without triggering as much outrage among their broader customer base.

Keywords: apology, service repair, service recovery, inequity, preferential treatment, customer relationship management, customer satisfaction, norms
Air travel has become a literal enactment of class hierarchy. Frequent fliers are anointed as Platinum Premier Diamond Medallion Million Milers who breeze through security lines, await their flights in luxurious lounges, and then are seated first, served first, and claim their bags first. Meanwhile, the rest of us are left to watch as this privileged elite receives dramatically different treatment than we do. And in many ways, such inequitable treatment has become our culture’s new normal. We live in an era when customer relationship management and loyalty programs are ubiquitous. Although the differential treatment they entail may prompt envy, it often also comes with resignation. Despite being labeled “the new customer apartheid” by Bloomberg back in 2000, the fact that not all customers are treated equally by the companies they patronize is simply a fact that most of us have grown accustomed to, even if not totally comfortable with (Brady 2000; Homburg, Droll, and Totzek 2008).

Loyalty status is used to allocate more than just perks. In fact, companies often lean on such designations, which serve as proxies for customer lifetime value, in guiding individually tailored service recovery efforts—those actions an organization takes to rectify service failure. For example, some companies assess the size of a customer’s social media network to determine just how important it is to respond to that customer’s complaints (Gerstner, 2011). More personally, one of the authors of this paper is married to a United Airlines Platinum Premier Status member. This has allowed for first-hand observation of how high-status flyers are more generously compensated than their low-status spouses following the same airline mishap. It is not hard to understand why companies would adopt this approach. There is meaningful variation among customers in their value to the company, and it simply makes sense that companies would want to use that information when determining the costs they are willing to incur to retain each
customer. But as much as differentiated treatment may seem like a smart use of database
marketing, we suggest it may come with an unappreciated risk.

Namely, we predict that people will be especially sensitive to—and thus, angered by—inequitable compensation offered as part of an apology. As we develop more fully below, we argue that apologies activate prescriptive norms associated with restorative justice. Inequitable remuneration then violates those salient prescriptions. Of course, upward social comparisons are typically painful (Aspinwall and Taylor 1993; Collins 1996); even under ordinary conditions, consumers should generally find it fairer to be treated the same as instead of worse than fellow customers (Soderlund et al. 2014; Söderlund and Colliander 2015). But our argument is that this inequity penalty—the difference in how morally dissatisfied consumers feel as a result of being treated inequitably compared to equitably—is particularly acute in the context of apology. When inequitable treatment is offered as part of an apology, moral outrage comes from two sources—not merely from the inequity itself, but also from the norm violation that an inequity in that context represents. As part of exploring what underlies this heightened inequity penalty, we also gain insights into how companies can avoid triggering it. In this way, we consider how companies can have their cake and eat it too—i.e., differentially compensate high-status customers without (excessively) angering their broader customer base.

Apology and Compensation in Service Recovery

Service recovery efforts include a variety of actions organizations take in order to restore customer trust following a service failure. Among the most common are apology and compensation (Mostafa, Lages, and Sääksjärvi 2014). In general, the service recovery literature
has examined these two tactics independently. Research on the use of apology has examined how companies can deliver apologies in ways that best restore trust and a willingness to repatronize the offending companies. Frantz and Bennigson (2005) delved into the content and delivery of an apology and found that empathy, intensity, and timing all independently contribute to service recovery satisfaction. Hill and Boyd (2015) explore who should deliver the apology, finding that expressions of remorse are more effective when offered by an employee rather than a CEO. And although apologies—as admissions of responsibility or indications of awareness of subsequent misdeeds—can sometimes backfire (Skarlicki, Folger, and Gee 2004), they typically reduce vengeance (Ohbuchi, Kameda, and Agarie 1989) and trigger feelings of mercy (O’Malley and Greenberg 1983).

A largely separate line of research on when and how compensation can be effectively used as a service recovery tactic has offered insights into how much, when, and for whom compensation should be offered. Several investigators have found non-linear effects of the efficacy of compensation amounts, suggesting that at least in some cases, more is not always better (Boshoff 2012; Gelbrich, Gathke, and Gregoire 2014). Compensation is most effective at service recovery when offered in the same “currency” (e.g., replacement products, money) in which the harm was first suffered (Roschk and Gelbrich 2014). Furthermore, Smith, Bolton and Wagner (1999) found compensation tends to be a better remedy for an outcome failure (e.g. when a restaurant does not have a patron’s preferred entree) than a process failure (e.g. when the waiter is inattentive). Furthermore, those with independent (relative to interdependent) self-concepts are more responsive to the compensation approach (Fehr and Gelfand 2010).

Although companies have a range of service recovery tactics at their disposal, relatively little is understood about how the use of one may affect or constrain the appropriate use of
another. The few efforts in this direction have largely been focused on the question of whether service recovery efforts are additive or substitutable, how they compare to each other in magnitude (Boshoff 2012; Coombs and Holladay 2008; Smith, Bolton, and Wagner 1999; Wirtz and Matilla 2004), or features of the transgressor that make apology or compensation more effective (Kiambi and Shafer 2016). In the present paper, we move beyond the question of whether apologies enhance or are redundant with compensation. Instead, we take a qualitatively new approach by thinking about how apologies may constrain the ways in which people see compensation as appropriate or not.

Apology and the Norms of Restorative Justice

At their core, apologies are acts of restorative justice, designed to repair social fabric when it has been torn by conflict (Braithwaite 1999; Goodstein and Butterfield 2010; Schlenker, 1980; Tavuchis 1991). Despite being relatively costless signals, it is remarkable how impactful apologies can be. Apologies can restore relationships between reckless doctors and their injured patients, negligent family members and their (newly) loved ones, and even war criminals and their victims (Carranza, Correa, and Naughton 2015; Sack 2008). Speaking to their power to achieve such relationship repair, apologies are often as effective when coerced by others as when freely offered (Risen and Gilovich 2007) or when delivered by repeat as opposed to more-reputable offenders (Wooten 2009).

But apologies also carry with them the descriptive and prescriptive norms associated with restorative justice. One foundational tenet of restorative justice is the principle of proportionality—that restitution should be proportional to the amount a victim has suffered. This
principle dates back to at least 2000 BC and can be found in the Code of Hamurabi, the Code of Ur-Nammu, and the Old Testament. Modern day civil juries are tasked with calculating compensatory damages that will directly correspond to the harm a victim suffers. And even the United States Supreme Court has affirmed the importance of the principle of proportionality in punishment (Enmun v. Florida, 1982; Solem v. Helm, 1983; Tison v. Arizona, 1987). When the same moral principle has been repeatedly codified across time and place, it is reasonable to conclude it is something close to a moral universal that underlies people’s lay intuitions of what is just.

By this logic, apologies—as tools for restorative justice—should invoke the principle of proportionality. To return to a consumer context, when service failures occur in isolation, it can be difficult for customers to tell whether the principle of proportionality has been upheld. Many harms that companies inflict on their customers cannot be directly reversed, meaning companies must compensate customers in a form that differs from the one by which they suffered. For example, airlines cannot give travelers back the time they lost due to an inordinate delay. But there is no clear scale to help customers translate between how much time they have lost and how many frequent flier miles they should receive in return. Similarly, if an entrée is over salted or a waiter is rude, what percentage of the customer’s bill should be refunded in order for that wrong to be righted?

But when wrongs are suffered by a collective—as they often are in the marketplace—individual consumers have each other as social reference points by which to determine whether the principle of proportionality has been violated. That is, if a kitchen back-up at a restaurant earns one patron a 10% discount on his check, even as he overhears the waiter tell the adjacent table—one that suffered an identical delay—that they will receive 50% off, it becomes clear that
the principle of proportionality is not being followed. Thus service failures that affect multiple customers at once make the proportionality of what companies offer as restitution more easily evaluable. Whenever customers get the short end of the stick, they are likely to be irked. But when this happens in a context in which customers have normative expectations that the principle of proportionality be followed, this inequitable treatment then becomes an additional grievance in its own right.

Historically, firms may have been able to avoid this inequity penalty because their customer base did not have simple ways to compare the treatment they received. But the rise of social media and online review culture has both allowed for and essentially guaranteed that such information will be shared. Indeed, whole websites—like www.pissedconsumer.com and www.ripoffreport.com—are dedicated to serving as forums where customers can detail service failures and companies’ responses. In other words, the psychology underlying the inequity penalty is not itself a product of modern circumstance, but the ease of information sharing makes it a particularly acute modern problem.

Hypotheses and Open Questions Regarding Apology and Inequitable Compensation

Across our studies, we test for variation in the inequity penalty—the difference between how morally angered people feel about being treated worse than higher-valued customers (inequitably) relative to how they feel about being treated the same as those customers (equitably). To make sure we can attribute such effects to inequitable (as opposed to objectively worse) treatment, we hold constant how participants are treated and only vary the treatment afforded higher-status customers. We ultimately present six studies that test whether, when, and
why this inequity penalty is heightened in the context of apology. Although our account has clear theoretical foundations in the justice and apology literatures, the novelty of applying this idea to the service repair context means there are a number of open questions that we also set out to answer so that our ideas can inform applied strategy.

Studies 1-3 test our basic account of this phenomena. Study 1 assesses whether the inequity penalty is heightened in the context of a business apologizing for a wrong (as opposed to celebrating a milestone). Study 2 isolates the role of the apology itself, as opposed to merely the preceding misfortune, in heightening the inequity penalty. Study 3 tests whether the inequity penalty is heightened more when apologizers are expressing regret for their own wrongdoing (thereby invoking norms relevant to restorative justice) as opposed to merely expressing sympathy for a harm caused by a third party.

Studies 4 and 5 more specifically explore the role of the principle of proportionality in heightening the inequity penalty. In so doing, we address two open questions about how the principle would be applied in a consumer context. First, are businesses expected to compensate for only the harm they directly cause (e.g., a four-hour flight delay) or for harm that is an indirect result of their actions as well (e.g., that this caused the passenger to miss Hamilton)? Second, is justice restored when wrongdoers offer compensation that is proportional to harms they could reasonably foresee before committing the harm, harms they had evidence of after the harm occurred, or harms they merely speculate might have occurred? Finally, Study 6 takes the lessons learned from the preceding five studies to test two ways that companies can compensate high-status customers more handsomely than low-status ones without prompting the same degree of heightened outrage on the part of lower status customers. In this way, the present work can not only fill in theoretical gaps relating to how apologies and compensation intersect, but can offer
practical advice to companies who wish to discriminate among customers in their service repair efforts.

**STUDY 1**

Study 1 was designed to accomplish two goals. First, and most centrally, we tested whether people are especially troubled by inequitable treatment in the context of apology. Participants considered receiving a voucher from an airline. A fellow traveler was said to receive a voucher for either the same amount (equitable compensation) or more (inequitable compensation). Some participants were told the voucher was offered as an apology for poor service, whereas other participants were told the voucher was part of a celebration of a company milestone. Although we expected that participants would always see inequity as more morally troubling than equity, we expected that this inequity penalty would be heightened in the context of apology (compared to celebration).

Second, across all of our studies, we focus on judgments of moral wrongness as our key dependent measure. Study 1 included a supplemental dependent measure, one of anticipated negative emotions. That is, we wanted to make sure that our moral wrongness composite was not tapping purely into detached judgment, but into an emotionally raw assessment. Although we place primary stock in the moral wrongness measures—both because they reflect a more direct assessment of the moral intuitions we wish to study and because there is likely to be large individual variability in the emotional reactivity of consumers—we would be hearted to find the same pattern of results on the negative emotion composite.
Method

Participants and design. Four hundred five Americans were recruited from Amazon’s Mechanical Turk and took part in the study in exchange for nominal compensation. Participants were randomly assigned to one of four conditions in a 2(amount: equitable or inequitable) X 2 (reason: apology or celebration) full-factorial design.

Procedure. All participants were asked to consider “flying home to visit family.” In each case, participants would ultimately receive a $75 voucher from the airline, but the reason why differed by condition. Those in the apology condition received the voucher as part of the airline’s apology for a long flight delay:

“Your flight is delayed for six hours due to mechanical issues with the plane. When you finally land at your destination, an airline representative gets on the plane and makes an announcement. She apologizes for the inconvenience of the long delay and tells you how much the airline appreciates your business. She then walks through the cabin and hands everyone a ‘we are sorry’ card, with a website on it. She informs all the passengers that if they log onto that customer appreciation website and enter their name and frequent flier number (if applicable), they will receive an apology voucher for future travel.”

Those in the celebration condition instead learned that they were receiving the voucher because the airline was celebrating the fact that they had just flown on its millionth flight:

“When you land at your destination, an airline representative gets on the plane and makes an announcement. She says that you have just flown on the airline’s millionth flight, and that the airline wants to celebrate and appreciates your business. She then walks through the cabin and hands everyone a ‘thank you’ card, with a website on it. She informs all the
passengers that if they log onto that customer appreciation website and enter their name
and frequent flier number (if applicable), they will receive a thank you voucher for future
travel.”

Our second manipulation—the relative amount that participants were said to receive—was
delivered next. The only difference between these conditions was whether the neighboring
passenger—one of the airline’s most valued frequent fliers—received the same amount of money
(equitable) or more money (inequitable) than the participant had:

“You log onto the website and see that the airline is giving you a $75 [apology/thank
you] voucher for future travel. Then you glance over at the businessman sitting next to
you and see him log on to the same website on his laptop. His platinum-elite frequent
flier status comes up on the screen, along with a message telling him he is receiving a
[$75/$300] [apology/thank you] voucher.”

Participants then completed two sets of dependent measures. The moral wrongness measures
asked participants to what extent they thought the distribution of vouchers was unfair, wrong,
and troubling on sliding scales anchored at 0 (unfair / wrong / troubling) and 100 (fair / right /
untroubling.) These were reverse scored in our analyses so that higher numbers reflect greater
degrees of moral wrongness ($\alpha = .96$). A second set of measures asked participants to report to
what extent they would feel 8 different discrete emotions (annoyed, frustrated, angry, insulted,
satisfied, grateful, appreciative, and fortunate) on a 7-point scale anchored at 1 (not at all) and 7
(extremely). We reverse-scored the final four (positive-emotion) items and averaged all
responses to form a negative emotion composite ($\alpha = .95$).

Results and Discussion
To test whether the inequity penalty—greater outrage prompted by inequitable (vs. equitable) treatment—is heightened in the context of apology, we submitted the moral wrongness composite to a two-way 2(amount: equitable or inequitable) X 2(reason: celebration or apology) ANOVA. Unsurprisingly, we found a large main effect of inequity, indicating people think it is more wrong to be treated inequitably than equitably, $F(1, 397) = 149.61, p <.001$. But is all inequity equally bad, or is inequity in the context of an apology especially troubling? As predicted, a significant Amount X Reason interaction showed the size of the inequity penalty depends on the context in which it occurred, $F(1, 397) = 7.88, p =.005, \eta^2_p = .02$. The inequity penalty was 60% larger in the context of an apology ($M_{\text{dif}} = 37.60$) than a celebration ($M_{\text{dif}} = 23.56$), $d = .28$.\(^1\) See Table 1 for relevant means by condition.

Was this differential response to inequitable apologies merely a detached intellectual assessment of right and wrong, or did the heightened inequity penalty reflect the perception of an angering injustice? We submitted the negative emotion composite to the same two-way ANOVA. As before, we found an unsurprising main effect of inequity, $F(1, 398) = 179.43, p < .001, \eta^2_p = .31$. But more important, the extent to which inequity (vs. equity) was seen to be emotionally upsetting depended on whether it occurred in the context of an apology of a celebration, $F(1,398) = 4.02, p = .05$. The emotional inequity penalty—how much more upsetting inequitable (vs. equitable) treatment is—grew by 37% in the context of apology ($M_{\text{dif}} = 1.90$) as opposed to celebration ($M_{\text{dif}} = 1.38$), $d = .20$. In other words, the moral wrongs participants are identifying carry emotional weight. Reinforcing that interpretation, the moral

---

\(^1\) Throughout the paper we include the Cohen’s $d$ associated with the difference in the inequity penalty between our experimental and control conditions. Because this measure is scale-independent and is unaffected by the amount of variance explained by other variables in the model, it allows for easier comparison across studies.
wrongness and negative emotion composites were extremely tightly correlated, $r(399) = .78, p < .001$.

<table>
<thead>
<tr>
<th></th>
<th>Moral Wrongness</th>
<th>Negative Emotion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Celebration</td>
<td>Apology</td>
</tr>
<tr>
<td>Equal</td>
<td>19.77 (23.99)</td>
<td>40.19 (22.93)</td>
</tr>
<tr>
<td>Unequal</td>
<td>43.33 (24.42)</td>
<td>77.79 (28.39)</td>
</tr>
<tr>
<td><strong>Inequity Penalty</strong></td>
<td><strong>23.56</strong></td>
<td><strong>37.60</strong></td>
</tr>
</tbody>
</table>

*Note.* The standard deviation of the sample means appears in parentheses.

Study 1 provides initial evidence that people show heightened sensitivity to inequity in the context of apology. By our explanation, tying inequitable compensation to an apology for the same wrong was a violation of the norms of restorative justice. But by an alternative negativity-sensitization hypothesis, it was the negative event itself (the flight delay) as opposed to the accompanying apology that heightened the inequity penalty. That is, the inequitable compensation may have prompted a stronger negative reaction because it was adding insult to injury. Study 2 addresses this alternative explanation.

**STUDY 2**

Study 2 extended on study 1 in three ways. First, we tested our effects in a new context, an anniversary cruise on which the passenger considered receiving a bouquet of flowers that was the same size as or much smaller than the bouquet received by first class passengers. Second,
whereas study 1 asked participants to comment on the moral fairness of the distribution of vouchers, study 2 asked participants to offer a moral judgment about their own compensation. That is, we wanted to test whether participants are not merely frustrated by the inequity itself, but actually upset by the compensation they had received (which was equivalent across equitable and inequitable conditions). This is a more conservative test, given that participants are offering moral judgments of the same target (the equivalent compensation offered), rather than judging different distributions.

Third, we aimed to distinguish whether the inequity penalty is heightened by apology or instead—as an alternative negativity-sensitization hypothesis would suggest—merely by the previous injury that magnified the insult of the inequity. For this reason, all participants in study 2 were asked to consider having suffered through the same negative experience—food poisoning on a cruise ship—and receiving an apology from the company for this bad event. But in this study, the equitable or inequitable compensation either accompanied the apology (thereby making the norms of restorative justice applicable when evaluating it) or was an unrelated gift (for which restorative justice norms would not apply). By our account, participants should find inequitable treatment particularly galling when it is in service of an apology for the harm they have suffered. But by the alternative negativity-sensitization account, the inequity penalty should be similar in magnitude whether inequitable treatment is associated with an apology or is offered for an unrelated reason (given that in both cases the same initial insult of food poisoning should heighten people’s sensitivity to the further injury of inequity).

Method
Participants and Design  Two hundred eighty-four undergraduates at a public American university participated as part of a longer lab session in exchange for marketing course credit. Participants were randomly assigned to one of four conditions in a 2(amount: inequitable or equitable) X 2(compensation framing: apology or gift) full-factorial design. In order to screen out participants who paid so little attention that they were unaware of the critical manipulations, we included two basic attention checks, measuring their awareness of which condition they had been assigned to. Twenty-four participants failed one or both of these checks and were excluded from all analyses, leaving a final sample of 260 for all analyses conducted and reported below.

Procedure. All participants were asked to imagine they were on a weeklong anniversary cruise with a significant other:

“When booking your reservation, you checked a box indicating that you would be celebrating an anniversary during the trip. In other words, you were really looking forward to the trip. The cruise started off well, but on the third day of the cruise, you ate some shellfish at the buffet, and later that evening fell ill. Apparently, there had been some kind of contamination in the kitchen; the next morning you heard that quite a few of the other passengers had become ill as well. That morning, the ship’s captain made an announcement, apologizing profusely and asking anyone who was affected to let a staff member know.”

In this way, all participants considered experiencing a negative event and receiving an apology for it. At this point, participants learned they received an offering from the cruiseline, but the reason it was provided varied between the apology [gift] compensation framing conditions:
“On the fifth day of the cruise you were feeling better, and decided to go up to the main
deck. Upon opening your cabin door, you found a small bouquet of flowers outside, with
an apology [“Happy Anniversary”] card from the cruiseline.”

Finally, participants learned how the first-class passengers were treated, which allowed
participants to determine whether they had been treated equitably or [inequitably]:

“As you made your way up to the top deck, you passed through the first-class deck,
where the suites were located. You noticed that outside of one of the suites was a [huge]
bouquet of flowers—the same [three times the] size as yours—with the same {apology,
“Happy Anniversary”} card attached.”

Participants completed the same moral wrongness measures as in study 1, modified somewhat in
light of the present materials. Namely, participants were asked, “How would you feel about the
bouquet the cruise left you?” The three items—troubled (vs. untroubled), good (vs. bad), and fair
(vs. unfair)—were all made on 0-to-100 slider scales. We averaged them to form a wrongness
composite (α = .89).

Results and Discussion

In order to determine whether framing compensation as tied to the apology amplifies the
inequity penalty, we submitted the moral wrongness composite to a two-way 2(amount:
equitable or inequitable) × 2(compensation framing: apology or gift) between-subjects ANOVA.
As expected, we found a large main effect of amount, $F(1, 256) = 44.74, p < .001$. That is,
people felt worse about their bouquet when it was smaller than (as opposed to the same size as) a
first class passenger’s bouquet. But supporting our central hypothesis, the inequity penalty was
heightened when it was tied to an apology, $F(1, 256) = 8.55, p = .004, \eta^2_p = .03$. The inequity penalty—the difference in how people responded to inequitable minus equitable bouquets—was 155% larger when the bouquet was offered in service of an apology ($M_{\text{diff}} = 26.31$) then when it was offered as an anniversary gift ($M_{\text{diff}} = 10.31$), $d = .36$. The means by condition are presented in Table 2. Even though all participants were asked to consider experiencing equity or inequity

Table 2: Moral wrongness by amount and compensation framing conditions (study 2)

<table>
<thead>
<tr>
<th>Condition</th>
<th>Gift</th>
<th>Apology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equal</td>
<td>29.68 (20.10)</td>
<td>21.06 (17.39)</td>
</tr>
<tr>
<td>Unequal</td>
<td>39.99 (22.40)</td>
<td>47.37 (24.40)</td>
</tr>
<tr>
<td><strong>Inequity Penalty</strong></td>
<td><strong>10.31</strong></td>
<td><strong>26.31</strong></td>
</tr>
</tbody>
</table>

Note: The inequity penalty reflects the mean judgment of moral wrongness when compensation was equal minus the mean judgment of moral wrongness when compensation was unequal. The standard deviation of the sample means appears in parentheses.

following the same highly aversive event (food poisoning), when the inequitable treatment was part of the cruise line’s apology for that event, participants found it especially grating. This shows that the inequity penalty is uniquely responsive to the context of apology, as opposed to the mere frustration of being wronged twice (the negativity-sensitization hypothesis).

**STUDY 3**

Our first two studies demonstrated that the inequity penalty is heightened in the context of apology. But by our reasoning, the inequity penalty is heightened not merely because the
compensator issued an apology, but more specifically because that apology indicated that the compensation was in the service of restorative justice. To understand this point, it is useful to consider past research that has enumerated four components of true apologies, those that are offered in the service of restoring relationships. Beyond the use of the words “I’m sorry”, such true apologies include an admission of responsibility, an expression of regret, a promise of forbearance (that the bad act will not be repeated), and an offer of repair (Scher and Darley 1997).

Crucial for our purposes, apologies in the service of restorative justice reflect an acknowledgement of one’s own wrongdoing, followed by a tacit assurance that one’s own misdeeds will not be repeated. These restorative apologies are differentiable from what we call empathic apologies. These apologies use the words “I’m sorry” merely to express sorrow for the victim’s state instead of responsibility for it. For example, when a colleague says, “I’m so sorry your paper was not accepted for publication,” most likely she is not admitting responsibility for the negative editorial decision.

To understand the relevance of this distinction to our hypothesis, consider an ice cream parlor owner who observes a bully knock the top scoop from two young customers’ just-purchased cones. If the vendor apologizes for the bully’s aggression and offers to try to make it up to the children, is the restitution that accompanies such an apology bound by the same principle of proportionality? Given he is merely expressing an empathic apology—concern for the harm experienced at another’s hand—it is unclear that the same principle would be invoked. That is, he is not a wrongdoer trying to make amends for his actions, and so his actions may not be judged against the standards for proper restorative justice. As a result, our logic would suggest that the same heightened inequity penalty would not emerge. If instead merely connecting
apology language and restitution is what heightens the inequity penalty, then it should not matter whether the vendor was at fault. That is, his use of an apology, not its meaning in light of the responsibility he takes for his transgressions, may explain the heightened inequity penalty. This means examining differences in the inequity penalty when the apologizer is versus isn’t responsible for the harm suffered has the potential to shed light on the underlying reason why that discrepancy emerges.

Participants in study 3 were asked to consider receiving inequitable (or equitable) compensation from a hotel that was apologizing for its own transgression (a faulty fire alarm that kept patrons awake at night) or a neighbor’s transgression (a faulty fire alarm in an adjacent building). Such apologies constitute true restorative apologies and empathic apologies, respectively. By our account, the inequity penalty should be heightened in the context of a true restorative apology compared to an empathic one, consistent with our logic that the principle of proportionality applies particularly to apologies in service of restorative justice. But if instead the inequity penalty is heightened only because apology language was used, then we should see similar inequity penalties across the two apology conditions.

Finally, we modified the way that we operationalized equitable and inequitable compensation. In the first two studies, participants were told they received either the exact same or a different offer of restitution as did the higher-status customer. But in many cases, high-status customers pay more for their services; after all, this contributes to their being more valued by the company. In study 3, the apologizer offered a percentage refund off of the customers’ bills. We expected our results to be robust to this change.

Method
Participants and design. In an effort to recruit a large sample size (given that the distinction between empathic and true apologies seemed potentially subtle), we simultaneously recruited participants from a subject pool at a public American university as well as Amazon Mechanical Turk. Eight hundred eighty-seven participants took part in exchange for either course credit or payment. Participants were randomly assigned to one of four conditions in a 2 (amount: inequitable or equitable) X 2 (apology: restorative or empathic) full-factorial design. We excluded 68 participants who failed one or both of the two attention checks. This left a final sample of 799 in all analyses reported below.

Materials and Procedure. All participants were asked to consider being on a trip to Chicago where they were staying in a Hilton downtown. Next, they learned about a disturbance that seriously affected their stay. Depending on their apology condition, participants were told that this annoyance was either the fault of the Hilton (restorative) or of the Hilton’s next-door neighbor (empathic).

“The last night of your stay, your hotel’s fire alarm [the fire alarm in an immediately adjacent hotel] malfunctions and goes off five times during the night, waking you up each time. You are exhausted the next morning when you go to check out. As you are waiting in line at the front desk, you overhear the conversation that the manager behind the desk has with a traveler in front of you.”

Those in the restorative apology condition went on to read the following:

“She says, ‘We are sorry for the interruption last night. We currently don’t employ a nighttime alarm technician, so we were unable to correct the malfunction until morning. We are looking to correct this limitation so something like this doesn’t happen again.’”
This information made it clear that the hotel admitted responsibility—indicating that they were both at fault and aware of this. Participants who received an empathic apology received a slightly modified version of this information:

“She says, ‘We are sorry for the interruption last night. We repeatedly called the hotel next door, but they don’t employ a nighttime alarm technician. We even offered to send our technician over to fix the problem, but they refused our offer. We have filed a formal complaint with the city in hopes they will force our neighbors to correct their limitation so something like this doesn’t happen again.’”

We included the information about the steps that the hotel took to solve the problem for their neighbor to make it clear that the hotel had done all they could to address a problem that was not of their own doing. As such, the apology is an empathic one, not one that includes an admission of responsibility.

As in our other studies, all participants then learned that they received compensation as part of that apology: 50% off of their night’s stay. However depending on the condition, participants learned that they had been treated the same as or worse than a higher-status customer—an HH Honors Diamond rewards member—who was checking out within earshot. In the equitable condition, the elite traveler also received a 50% discount. In the inequitable condition, the frequent traveler’s room was 100% comped.

In order to probe participants’ sense of whether they were treated fairly, participants reported how troubled and wronged they felt by the discount they received, as well as how unfair it had been. Each response was made on a 0-to-100 slider scale, with higher numbers indicating higher levels of perceived injustice. We averaged these three items to form a reliable measure of moral wrongness ($\alpha = .95$).
Results and Discussion

We submitted the wrongness composite to a two-way 2(amount: equitable or inequitable) X 2(apology: restorative or empathic) ANOVA. As before, we observed a main effect of inequity, $F(1,753) = 326.37, p < .001$, reflecting the fact that participants felt more morally wronged by their inequitable (vs. equitable) discount. But more importantly, we observed a significant Amount X Apology interaction, $F(1, 753) = 5.85, p = .02, \eta^2_p = .008$. The inequity penalty was 31% larger when the hotel issued a true apology for their own infraction ($M_{diff} = 35.21$) than an empathic apology for their neighbor’s ($M_{diff} = 26.9$), $d = .17$. In other words, people found inequitable compensation to be inappropriate not merely because it was tied to a harm through apology, but because it reflected a violation of the norms associated with restorative justice. Restorative apologies carry with them the expectations of restorative justice, and thus can set the stage for especially strong inequity penalties.

Table 3: Moral wrongness by amount and apology type conditions (study 3)

<table>
<thead>
<tr>
<th></th>
<th>Empathic</th>
<th>Restorative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equal</td>
<td>17.31 (17.30)</td>
<td>22.10 (21.51)</td>
</tr>
<tr>
<td>Unequal</td>
<td>44.21 (27.62)</td>
<td>57.31 (26.13)</td>
</tr>
<tr>
<td><strong>Inequity Penalty</strong></td>
<td><strong>26.90</strong></td>
<td><strong>35.21</strong></td>
</tr>
</tbody>
</table>

*Note. The standard deviation of the sample means appears in parentheses.*

STUDY 4
Why does inequitable compensation violate beliefs about how a wrongdoer should compensate their victims? We have argued that the principle of proportionality is expected to guide such exchanges, a principle that is violated when victims are compensated differently despite having experienced the same harm. But our studies have yet to test this logic directly, given we have examined only cases in which the focal pair of victims did indeed suffer similarly. If a heightened concern with the principle of proportionality explains why true apologies heighten the inequity penalty, then such effects should diminish when the harms being apologized for are not equal.

Although this prediction may seem straightforward at first, further reflection on its application in a consumer context opens up questions about what types of harm factor into such calculations of proportionality. Consider again the flight delay experienced by the two travelers in study 1. On the one hand, the two travelers experienced the same direct harm at the hands of the airline: a six-hour flight delay. On the other hand, the two travelers may experience different indirect harms. One may have missed a few hours of sleep, while the other may have missed his niece’s graduation.

By one perspective, it would hardly seem fair for customers to hold companies accountable for indirect harms over which they have no direct control. Typically companies have no way to know the indirect harms that customers suffer as a result of the company’s mistakes, and awareness of the consequences of one’s actions is one classic requirement for moral responsibility (for review see Robichaud and Wieland 2017). On the other hand, there are cases in which the principle of proportionality is applied even to indirect harms. For example, in civil law the concept of negligence holds wrongdoers responsible for harm that they do not directly
inflict, but could reasonably have foreseen. Furthermore, people show an outcome bias in moral judgment, putting disproportionate weight on ultimate outcomes as compared to actions and intentions (for review see Martin and Cushman 2016). This suggests that any evidence that consumers suffered different harms—direct or indirect—may make inequitable treatment seem justifiable and thereby reduce the inequity penalty.

Study 4 tested whether the principle of proportionality underlies the inequity penalty, and in so doing, determined what types of harm (direct and/or indirect) are relevant when people apply the principle in practice. Participants considered being inconvenienced while traveling with an acquaintance. We orthogonally manipulated whether the second traveler experienced the same or a longer flight delay (direct harm) as well as whether the second traveler experienced an equivalent or more severe downstream consequence as a result of that delay (indirect harm). A reduction of the inequity penalty when harm was unequal would demonstrate the important role of the principle of proportionality in producing our effect. Understanding what type of harms produce those reductions would offer new insight into the norms associated with restorative justice.

As a final goal, we wanted to include an additional dependent measure, inspired by a website on which consumers review their experiences for others. At www.airlinequality.com, flyers can offer on-line word of mouth concerning their recent travel episodes. We added a two-item measure modeled on the questions reviewers answer on that website. We expected to find that the heightened inequity penalty observed on the moral wrongness composite would also translate into the public reviews that our test consumers would write.

Method
**Participants and Design.** Three hundred forty-six participants were recruited from Amazon’s Mechanical Turk in exchange for nominal payment. Participants were assigned to one of eight conditions in a 2(amount: equitable or inequitable) X 2(direct harm: same or different) X 2(indirect harm: same or different) full-factorial design. We excluded 66 participants who failed one or more of three attention checks. This left a final sample of 280 in all analyses reported below.

**Procedure.** All participants were asked to consider arriving at the airport one morning, ready to head to a conference for a long weekend. At the gate, they ran into an acquaintance from work, Jordan, who was traveling to the same event. Both travelers were informed that their flight was going to be delayed six hours. We varied whether the two travelers experienced different direct harms by manipulating whether it was mentioned that this was actually Jordan’s second delay of the day. That is, those in the different direct harm condition saw:

“Jordan was originally scheduled to arrive even **earlier**, but the early-morning flight Jordan was originally booked on was **delayed** for mechanical issues as well, and then **ultimately cancelled**.”

To vary whether the indirect harm would be the same or different for the two travelers, we called attention to the one conference event that the delay would cause the travelers to miss. In the different indirect harm condition, participants saw:

“While sharing a taxi to the hotel, Jordan notes that your late arrival was going to cause you both to miss only one event on the schedule: **the opening black-tie gala.** But fortunately, **you had opted not to buy tickets** to the event. But **Jordan had bought tickets** and saw they were **non-refundable**.”
For participants who learned that they and Jordan had the *same indirect harm*, we wanted to hold participants’ experience and exposure to information about the black tie gala constant, but have Jordan’s experience be the same as their own. We only modified the final two sentences:

“For fortunately, you find out that neither of you had opted to buy tickets to the event.

That is, you had planned to **spend the evening in your hotel** room anyway.”

Next, we included a sentence that made it clear that the airline had verifiable information about the direct and indirect harms suffered by the participant and Jordan. While splitting a taxi from the airport, the participant and Jordan received an email from the airline asking them to complete a customer satisfaction survey. Participants themselves were said to have sent the following message:

“I realize safety is a priority, but a six-hour delay is excessive. I hope you can improve the efficiency of your maintenance operation in the future.”

Participants learned that Jordan wrote a similar note, but one that included: 1) that Jordan was a platinum-level frequent flyer, 2) (in the different direct harm conditions only) that the six-hour delay was on top of another four-hour delay caused by an earlier flight cancellation, and 3) (in the different indirect harm conditions only) that the large delay caused Jordan to waste non-refundable tickets to a black-tie gala. In the conditions in which Jordan reported missing the gala, Jordan was said to have forwarded the airline the gala ticket receipt in order to validate the story.

Finally, we included our manipulation of the amount of compensation. Participants were said to have received a personalized apology email from the airline by the time they reached the hotel. The participant’s email always included a $75 apology voucher. Jordan—a frequent flyer who sometimes suffered greater direct and/or indirect harms—received either $75 (equitable condition) or $300 (inequitable condition).
At this point, participants completed the key dependent measures in a random order. Participants completed five moral wrongness items that asked them, “Given all that you know about how the airline responds to customer complaints, how do you feel about how you were treated?” Responses were made on 10-point bipolar scales anchored at troubled and untroubled, good and wronged, fair and unfair, appropriate and inappropriate, and problematic and reasonable. Before averaging the responses, they were coded such that higher numbers reflected more moral dissatisfaction with the airline. The measure had good internal reliability ($\alpha = .91$).

In addition, participants were asked to write a summary of what happened on their flight (just as they would on the website airlineequality.com) before making two ratings that reviewers on that site complete. One item asked about their satisfaction with the airline (on a 10-point scale anchored at 1 = not at all and 10 = extremely). The other item asked whether they would recommend the airline to others (on a 4-point scale anchored at 1 = Definitely not and 4 = Definitely yes). We standardized each variable before averaging them to form an online recommendation measure ($r = .71$).

Results and Discussion

To understand whether the heightened inequity penalty was driven by the principle of proportionality, we tested whether the size of the inequity penalty varied depending on whether the two flyers experienced the same or different harms. Toward this aim, we collapsed our two orthogonal factors for direct harm (same or different) and indirect harm (same or different) into a single four-level harm factor reflecting all four combinations of direct and indirect harm, respectively: same-same, same-different, different-same, and different-different. We then
submitted our two dependent measures—moral wrongness and online recommendation—to two-way 2(amount: equitable or inequitable) X 4(harm) ANOVAs.

When predicting moral wrongness, we once again found a main effect of inequity, $F(1, 265) = 22.48, p < .001$. But consistent with the relevance of the principle of proportionality, the size of this inequity penalty depended on information about whether the participant and his or her fellow traveler had experienced the same or different harms, $F(3, 265) = 4.50, p = .004, \eta^2_p = .05$. Similar results were observed for the online recommendation composite. Participants rated the airline more negatively and were less likely to recommend it when they had been treated unequally, $F(1, 269) = 19.82, p < .001$, but the size of this inequity penalty depended on information about the proportionality of harm, $F(3, 269) = 4.18, p = .006, \eta^2_p = .04$. These omnibus tests demonstrate that the (non-)equivalence of the harms affects the size of the inequity penalty, but pairwise comparisons are necessary to examine precisely how harm equivalence is defined.

We tested a series of 2(amount) X 2(direct-indirect harm) models to understand which differences in harm attenuated the inequity penalty (see Table 2). Providing clear evidence that any difference in harm—whether direct or indirect—loosens the dictates of the principle of proportionality, the inequity penalty was reduced in all three conditions in which either direct or indirect harm differed. We began by examining the moral wrongness composite. Compared to the same direct, same indirect harm condition ($M_{\text{dif}} = 2.47$), the inequity penalty was reduced in all three other conditions: different direct, same indirect ($M_{\text{dif}} = .71$), $F(1, 262) = 7.29, p = .01, d = .33$; same direct, different indirect ($M_{\text{dif}} = .22$), $F(1, 262) = 12.39, p = .001, d = .43$; different direct, different indirect ($M_{\text{dif}} = .97$), $F(1, 262) = 5.15, p = .02, d = .27$. We observed a similar pattern on the online recommendation composite. The inequity penalty observed in the same
direct, same indirect harm condition ($M_{\text{dif}} = 1.06$) was attenuated in the three other conditions: different direct, same indirect ($M_{\text{dif}} = .41$), $F(1, 266) = 5.15$, $p = .02$, $d = .27$; same direct, different indirect ($M_{\text{dif}} = .12$), $F(1, 266) = 10.69$, $p = .001$, $d = .39$; different direct, different indirect ($M_{\text{dif}} = .24$), $F(1, 266) = 7.84$, $p = .01$, $d = .34$. In short, the sting of receiving inequitable compensation was reduced when the customers experienced different harms—regardless of whether those reflected differences in how they were treated (direct harms) or different downstream consequences of the apologizer’s actions (indirect harms).

Did differences in the amount of harm suffered between the two flyers have an additive or a substitutable effect on the inequity penalty? Stated differently, is the inequity penalty reduced more with each additional type of differential harm suffered? Or instead, is the inequity penalty heightened only when the two travelers are in the exact same circumstance? We submitted both our moral wrongness and on-line word of mouth composites to three-way $2(\text{amount}) \times 2(\text{direct harm}) \times 2(\text{indirect harm})$ ANOVAs. Consistent with the idea that the harms were substitutable instead of additive, we observed a significant three-way Amount X Direct Harm X Indirect Harm interactions predicting moral wrongness, $F(1, 261) = 7.52$, $p = .01$, $\eta_p^2 = .03$, as well as the on-line word of mouth measure, $F(1, 265) = 3.66$, $p = .06$, $\eta_p^2 = .01$. As illustrated in Table 4, once any difference in harm was introduced—direct, indirect, or both—the inequity penalty was reduced by about the same amount. In fact, comparisons among these conditions show that any difference in harm (direct only, indirect only, or both) produces similarly sized inequity penalties, whether indexed by the moral wrongness composite ($F$s < 1.36, $ps > .25$) or the on-line word of mouth composite ($F$s < 1.02, $ps > .31$)
Table 4: Moral wrongness and online recommendation by amount and harm manipulations (study 4)

<table>
<thead>
<tr>
<th></th>
<th>Same Direct</th>
<th>Same Direct</th>
<th>Different Direct</th>
<th>Different Direct</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Same Indirect</td>
<td>Different Indirect</td>
<td>Same Indirect</td>
<td>Different Indirect</td>
</tr>
<tr>
<td>Moral Wrongness</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equal</td>
<td>3.21 (.155)</td>
<td>4.02 (2.01)</td>
<td>4.11 (1.81)</td>
<td>3.84 (2.05)</td>
</tr>
<tr>
<td>Unequal</td>
<td>5.69 (1.74)</td>
<td>4.24 (2.02)</td>
<td>4.82 (1.99)</td>
<td>4.81 (1.91)</td>
</tr>
<tr>
<td>Inequity Penalty</td>
<td>2.48&lt;sub&gt;a&lt;/sub&gt;</td>
<td>0.22&lt;sub&gt;b&lt;/sub&gt;</td>
<td>0.71&lt;sub&gt;b&lt;/sub&gt;</td>
<td>0.97&lt;sub&gt;b&lt;/sub&gt;</td>
</tr>
<tr>
<td>Online</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equal</td>
<td>.519 (.64)</td>
<td>+.075 (.91)</td>
<td>+.089 (.78)</td>
<td>+.049 (.85)</td>
</tr>
<tr>
<td>Unequal</td>
<td>-.545 (.72)</td>
<td>-.041 (.92)</td>
<td>-.316 (1.01)</td>
<td>-.193 (.90)</td>
</tr>
<tr>
<td>Inequity Penalty</td>
<td>1.06&lt;sub&gt;a&lt;/sub&gt;</td>
<td>0.12&lt;sub&gt;b&lt;/sub&gt;</td>
<td>0.41&lt;sub&gt;b&lt;/sub&gt;</td>
<td>0.24&lt;sub&gt;b&lt;/sub&gt;</td>
</tr>
</tbody>
</table>

Note: The inequity penalty for online recommendation scores were reverse-scored so that, across measures, higher values always reflect inequity producing more negative outcomes than equity. Means within the same row with different subscripts differ from each other at the p < .05 level. The standard deviation of the sample means appears in parentheses.
Study 4 demonstrates the importance of the principle of proportionality in producing people’s moral objection to inequitable apologies. But it also addresses a question that was a priori unclear: What harms factor into such principle of proportionality calculations? We found that the inequity penalty was reduced just as much when those treated inequitably experienced different direct harms at the hands of the transgressor as compared to when they experienced different indirect harms as unforeseen consequences of the transgressor’s actions. That the same patterns were observed in participants’ on-line reviews offers a simple (if unsurprising) demonstration of why companies should care about acting in ways that seem morally unfair.

STUDY 5

One notable feature of study 4 was that although the airline could not foresee the specific indirect harms that different passengers would suffer as the result of the flight delay, we did make sure that the airline was made aware of those different indirect harms when determining what compensation to offer. That is, the traveler who suffered the extra harm (wasting non-refundable tickets to the black-tie gala) sent verifiable evidence of this additional harm to the company. Whether this feature was essential in reducing the inequity penalty is unclear. Had the airline not known about the differential indirect harm it caused, would people still have thought its inequitable treatment of the victims was justified?

On the one hand, if a wrongdoer lacks this knowledge when treating people inequitably, it would mean the differential restitution they offered was not intended to reflect the principle of proportionality. After all, intentions are critical to moral judgments (Cushman 2008). Thus, even when the harms suffered are unequal, people might still find inequitable compensation to be
outrageous because the apologizer did not know about the unequal harms. Alternatively, the inequity penalty may not reflect a response to an apologizer’s apparent intentions to follow the principle of proportionality. Instead, consumers may be outcome focused (Baron & Hershey, 1988). That is, a feeling that the scales of justice have been balanced—even when the apologizers themselves did not intend to create this balance—could make differential treatment following (unknown) indirect harms more acceptable.

Resolving this ambiguity is important not merely for developing a full theoretical account of the norms associated with apology, but because it has important practical consequences for how businesses can minimize the risk posed by the inequity penalty. That is, businesses are rarely in a position to know what indirect harms their customers suffer. But if the presence of different indirect harms reduces the inequity penalty even when businesses are unaware of them, this may hint at a path to appeasing their high-value customers while minimizing resentment among their broader clientele. Study 5 tests whether a company must be aware that its customers have suffered different indirect harms in order for them to be excused for treating those customers inequitably. Our final study then tests practical solutions for minimizing the inequity penalty that stem from these findings.

Method

Participants and design. Five hundred sixty-four Americans and Canadians participated in exchange for payment through Amazon’s Mechanical Turk. One hundred thirty-three failed at least one of the two attention checks, leaving a final sample of 431. Participants were randomly
assigned to one of 6 conditions in a 2(amount: equitable or inequitable X 3(indirect harm: same, different-aware, different-unaware) full-factorial design.

Procedure. Participants considered a similar scenario to that used in study 4. As before, participants imagined running into an acquaintance (Jordan) at the airport who was also traveling to the same conference. Both experienced the same direct harm: a 6-hour flight delay. But in this case, we varied not only whether the two suffered different indirect harms (as in study 4), but also whether the apologizing airline knew that the two consumers had experienced different indirect harms.

That is, the same and different-aware conditions matched study 4’s same and different indirect harm conditions, respectively. But in the different-unaware condition, Jordan was not able to share with the airline that the delay caused Jordan to waste the non-refundable gala tickets. To make certain that participants noticed that Jordan omitted information about the greater indirect harm from the message to the airline, and also to make certain that Jordan’s intended behavior remained constant across our two different indirect harm conditions, we added the following:

“Jordan had wanted to tell the airline about how the delay had caused him to miss the gala and waste his ticket, but the survey comment box was limited to 180 characters, so he couldn't fit that information into his response.”

Participants completed the same five-item moral wrongness measure used in study 4 ($\alpha = .94$).

Results and Discussion
To understand whether the inequity penalty is reduced only when wrongdoers knowingly and intentionally follow the principle of proportionality, or whether it is reduced merely when their actions are consistent with the principle, we submitted the moral wrongness composite to a two-way 2(amount: equitable or inequitable) × 3(indirect harm: same, different-aware, or different-unaware) ANOVA. Unsurprisingly, there was a strong main effect of amount, suggesting that participants found inequity more troubling than equity, $F(1, 402) = 90.34, p < .001$. But more important for our focus, the size of the inequity penalty depended on the indirect harm manipulation, $F(2, 402) = 12.38, p < .001, \eta^2_p = .058$. To probe this interaction, we tested for a series of 2(amount) × 2(indirect harm) interactions to understand what affected the size of the inequity penalty.

First, we tested whether we replicated our finding from study 4 that when the airline was aware Jordan suffered a greater indirect harm (different-aware condition), the inequity penalty would be reduced compared to when both travelers suffered the same indirect harm. And indeed, that was the case, $F(1, 402) = 22.47, p < .001$. There was a sizable inequity penalty when the two travelers suffered the same indirect harm but received different compensation ($M_{\text{dif}} = 3.31$). But when travelers had suffered different indirect harm and the transgressing airline was aware of that fact, there was a 69% reduction in the inequity penalty ($M_{\text{dif}} = 1.07$), $d = .47$.

But what happened when the participant, but not the airline, was aware that the two travelers had suffered different indirect harms? In this case, differential compensation would have the potential to make up for an unknown wrong, but clearly not because the transgressor knew they were adhering to the principle of proportionality. In this condition, the inequity penalty was relatively small ($M_{\text{dif}} = 1.47$), a statistically significant 56% reduction compared to the same harm baseline, $F(1, 402) = 12.46, p < .001, d = .35$. Furthermore, participants did not
distinguish between the airline’s knowing about the indirect harm or not, $F < 1$. The inequity penalty was similarly low in both cases. This clarifies that participants’ anger over inequitable treatment is reduced not when they think that the company was intentionally acting in accordance with the principle of proportionality, but merely because the company happened to do so.

Table 5. Moral wrongness by amount and indirect harm condition (study 5)

<table>
<thead>
<tr>
<th></th>
<th>Sam Effects</th>
<th>Different Effects</th>
<th>Different Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No Awareness</td>
<td>With Awareness</td>
</tr>
<tr>
<td>Equal</td>
<td>3.29 (1.79)</td>
<td>3.53 (1.94)</td>
<td>4.19 (2.09)</td>
</tr>
<tr>
<td>Unequal</td>
<td>6.60 (2.00)</td>
<td>4.60 (2.16)</td>
<td>5.66 (2.34)</td>
</tr>
<tr>
<td>Inequity Penalty</td>
<td>3.31a</td>
<td>1.07b</td>
<td>1.47b</td>
</tr>
</tbody>
</table>

Note: Inequity penalties with different subscripts differ from each other at the $p<.001$ level. The standard deviation of the sample means appears in parentheses.

**STUDY 6**

The stark reality is that not all customers are equally valuable to the businesses they patronize. That is, businesses have a clear incentive to care for and cater to some customer relationships more than others. Given that in every one of our studies consumers prefer equitable to inequitable treatment, the critical question is not how businesses can avoid an inequity penalty altogether. Instead, businesses will want to minimize the penalty while still leaning on customer lifetime value when considering how much cost they are willing to incur when engaging in
service repair. With this in mind, our final study draws on lessons uncovered by our previous studies. We identify and test two possible ways that companies can have their cake (prioritize their most valuable customers) and eat it too (avoid stoking the ire of the mass consumer).

Thus far, we have identified three contexts in which the inequity penalty is reduced. Such reductions occur when the inequitable offering is not framed as part of the apology (study 2), when the wrong is perpetuated by another party (study 3), and when the harms suffered (even unknowable and indirect harms) are unequal (studies 4 and 5). Given there may be risks to casting blame on others when fault actually lies with the company itself, we think the first and third conditions are of most use in devising a service repair strategy. Study 6 offers a test of two such tactics.

First, if companies wish to offer compensation in an attempt to counteract the sting of service failures, they may be better off not linking the (inequitable) offering to an apology. We test a dissociation message that decouples the inequitable compensation from the apology itself. This message is honest in articulating that the company is offering compensation not as restitution for a wrong, but because they do not want to lose the customer’s business. Although the statement’s wording might appear blunt in its intention, we predict it should stunt the inequity penalty given it is clearer that the compensation is more a bribe than a restorative act to be judged according to the principle of proportionality.

Second, we tested whether companies could capitalize on the finding that inequitable harms reduce the inequity penalty even when the wrongdoer did not know about (and thus could not have actually acted on) that harm differential. In Studies 4 and 5, participants knew that a different indirect harm had occurred. We examined whether the transgressor could merely float the likelihood of different indirect harms—posing what we call differential assumed harm—to
justify differential treatment. After all, Study 5 emphasized that the company need not know about a specific indirect harm when acting for their actions to be judged in light of the principle of proportionality. Study 6 tested whether speculating or assuming that high-value customers likely suffered more indirect harms—even though the apologizer would not know what harms those were—would help companies reduce the inequity penalty.

Method

Participants and design. One thousand seven hundred twenty Americans and Canadians participated in exchange for payment on Amazon’s Mechanical Turk. Participants were randomly assigned to one of six conditions in a 2(amount: equitable or inequitable) X 3(response strategy: dissociation, assumed harm, or control) full-factorial design. Three hundred three failed at least one of our two attention check questions. This left a final sample 1,417 participants in the analyses reported below.

Materials and procedure. Participants were asked to consider being in a delayed-flight situation that was much like the one described in study 1. At the flight’s conclusion, all participants were asked to consider logging onto a website and receiving this message:

"We are so sorry for the inconvenience we have caused you today. Please accept this $100 voucher as part of our sincere apology and commitment to serve you better on your next flight with us."

This language made clear the compensation was tied to a restorative apology. At this point, participants were told that the businessman sitting next to them also logged in on his computer. In addition to displaying his platinum-elite frequent flyer status, a message from the company
appeared. The nature of this message varied by condition. We manipulated whether the neighbor also received $100 (equitable condition) or received $300 (inequitable condition).

Those in the control condition saw a message that closely paralleled the one the participant received:

“We are so sorry for the inconvenience we have caused you today. Please accept this [$100 / $300] voucher as part of our sincere apology and commitment to serve you better on your next flight with us.”

Those in the dissociation condition also saw that the company apologized to the elite customer. But unlike the message the participant received, the neighbor’s voucher was not offered as part of “our sincere apology,” but instead as part of an explicit desire to keep the traveler as a customer:

“We recognize that you are a platinum-elite status member, and we want very much to keep you as a customer. Please accept this [$100; $300] voucher as a symbol of our desire to maintain your business in the future.”

Note that this message merely expresses what is probably the true intent of the company—a desire to avoid losing the elite traveler as a loyal customer. But by removing the link between the compensation and the apology, the airline should have released itself from the expectations of proportionality that are associated with acts of restorative justice.

Finally, in the assumed harm condition, the airline suggested that elite travelers are particularly likely to suffer additional indirect harms when flights are delayed. It provided this as justification for the greater compensation:

"We recognize that as a platinum-elite status member, you travel for business and most likely missed important meetings or presentations as a result of today’s delay. Please
accept this [$100 / $300] voucher as part of our sincere apology and commitment to serve you better on your next flight with us."

Participants then completed the same five-item moral wrongness composite used in Studies 4 and 5 ($\alpha = .95$).

Results and Discussion

In order to understand whether our two new strategies were effective in reducing the inequity penalty, we submitted the moral wrongness composite to a two-way 2(amount: equitable or inequitable) X 3(response strategy: apology, dissociation, assumed harm) ANOVA. As in our previous studies, we found a significant main effect of amount, reflecting a general discomfort with being treated worse than others, $F(1, 1338) = 321.71, p < .001$. But the inequity penalty varied depending on the airline’s response strategy. That is, we observed a significant Response Strategy X Amount interaction, $F(2, 1338) = 4.50, p = .01, \eta^2_p = .01$ (see Table 4).

In order to understand how different response strategies affected the inequity penalty, we conducted a series of planned contrasts that test each 2(amount) X 2(response strategy) interaction. Both the dissociation strategy and the proposed harm strategy were effective in reducing the size of the inequity penalty. Dissociating the elite customer’s compensation from the apology and instead framing it as an appeal to continued loyalty produced an inequity penalty that was 39% lower ($M_{\text{dif}} = 1.96$) than in the control condition ($M_{\text{dif}} = 2.76$), $F(1, 1338) = 6.67, p = .01, d = .14$. Similarly, proposing that the elite flyer likely experienced extra indirect harms reduced the inequity penalty by 40% ($M_{\text{dif}} = 1.94$), $F(1, 1338) = 7.08, p = .01, d = .14$. 

The effectiveness of the assumed harm strategy is a notable extension given there was no confirmation—either to the apologizing business or the participants themselves (as in Studies 4 and 5)—that differential harms were actually experienced. Furthermore, the success of the dissociation strategy is striking given it ran the risk of clearly (and thus potentially offensively) emphasizing that other customers are more valuable to the company. Instead, it successfully reduced the inequity penalty, presumably because it did not tie the compensation—in particular, the extra compensation—to the apology (and the restorative justice norms this would have entailed). Although not part of our predictions, the two strategies were essentially equally effective in reducing the inequity penalty, $F < 1$.

One question for future research is when dissociation vs. assumed harm is a superior approach. We suspect that a key consideration may be whether differential assumed harm is plausible. Consider further the case of airlines. For weekday flights with routes that include many business travelers (e.g., New York to Boston), the idea that high-dollar customers are likely to be especially impacted by a delay may be plausible. But on routes with more leisure travelers (e.g., New York to Maui), the idea that frequent flyers are unique in having more urgent obligations may seem more suspect.

Table 6. Moral wrongness by amount and company response strategy (study 6)

<table>
<thead>
<tr>
<th></th>
<th>Control</th>
<th>Different-Consequences</th>
<th>Dissociated-From-Apology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equal</td>
<td>3.25 (1.85)</td>
<td>3.67 (2.05)</td>
<td>3.52 (1.99)</td>
</tr>
<tr>
<td>Unequal</td>
<td>6.01 (2.61)</td>
<td>5.61 (2.52)</td>
<td>5.48 (2.55)</td>
</tr>
</tbody>
</table>

Inequity Penalty \(2.76^a\) \(1.94^b\) \(1.96^b\)
Apology and compensation are two primary methods businesses use when trying to right their wrongs. To date, these two approaches have been examined largely separately. When the two have been studied in tandem, such efforts largely focused on whether the two tactics are interchangeable approaches to service repair (Boshoff 2012; Smith, Bolton, and Wagner 1999; Wirtz and Matilla 2004). In the present paper, we take a qualitatively different approach. We explore the way that one service repair tactic (apology) changes the meaning of and normative expectations surrounding another (compensation). When considered in isolation, both apology and compensation are most often received quite positively. But when used together, limitations on their effectiveness emerge.

Across six studies, we find that although customers generally feel negatively about inequitable treatment, they are uniquely angered when inequity is attached to restitution in service of an apology. We argue that apologies are instruments of restorative justice, and that restorative justice carries the normative expectation that restitution should be proportional to the severity of the transgression. When companies offer different restitution to customers who have suffered the same harm, it is a clear violation of this principle. As a result, customers are angered not merely by the inequity itself, but additionally by the norm violation that this inequity enacts.

Study 1 established this basic effect, finding that inequitable treatment is particularly aversive when offered in service of apology as opposed to a celebration. Study 2 showed that this
inequity penalty (i.e., the heightened aversion to inequity) was triggered because the inequitable treatment was tied to an apology; it was not merely that inequitable treatment felt particularly offensive after already having being wronged. Studies 3 through 5 probed the role of restorative justice in explaining these effects. Study 3 found that inequity was particularly aversive in the context of restorative apologies (ones in which companies express a desire to make amends for their own wrongdoing) as opposed to empathic apologies (those in which companies express sorrow that another entity wronged the customer). Study 4 more directly connected the inequity penalty with the principle of proportionality: The penalty was reduced when those compensated inequitably had also been harmed inequitably. This study also identified which harms factor into calculations of proportionality: not merely those directly caused by the transgressing company, but also harms unforeseen to the company that were the indirect result of its actions. Study 5 found that the inequity penalty was reduced when outcomes matched the dictates of the principle of proportionality, even when the company was unaware of the differential harm and thus could not have knowingly acted on that specific information.

Guided by these empirical efforts, Study 6 identified two ways that transgressing companies could treat higher-value customers more handsomely than their low-value counterparts without suffering the full inequity penalty. First, by decoupling the apology from the compensation and being honest that said compensation was a gesture designed merely to retain customer loyalty, the inequity penalty was reduced. Here it is striking that being transparent about the company’s selfish intentions actually helped to avoid a penalty that accompanied the use of a less explicitly mercenary apology. Second, merely suggesting that customers may have suffered different harms was enough to reduce the inequity penalty, even when no direct evidence of that differential harm was possessed or offered by the company. Each
approach may offer a practical solution for wrongdoing companies eager to retain their best clientele.

Our work complements other recent efforts that have investigated how the service experience that other customers receive influences perceptions of one’s own treatment by a company. Such research has explored the role of whether one’s treatment compares favorably or unfavorably to what others receive (Söderlund and Colliander 2015; Jiang, Hoegg, and Dahl 2013; Söderlund and Gabrielson 2011), whether one has concerns about being negatively evaluated by others (Jiang, Hoegg, and Dahl 2013; Voss and Jiménez 2010), as well as whether satisfaction with being treated preferentially may or may not diverge from perceptions of what is fair (Colliander, Söderlund, and Szugalski 2016; Söderlund et al. 2014). But these studies examined contexts in which companies were rewarding customers with unexpected and unprompted bonuses (like the “celebration” condition in Study 1). Our research instead demonstrates the unique effects that emerge in the context of service repair. After all, the psychological mechanisms underlying our effects—prescriptive norms associated with restorative justice—are specific to these repair contexts.

Evaluating Proportionality

Core to our theoretical reasoning is that true apologies evoke the principle of proportionality as a relevant standard for evaluating restorative efforts. But determining whether that principle has been violated is easier in some cases than in others. Roschk and Gelbrich (2014) found that companies are most successful at service recovery when “compensation represents a resource similar to the failure it is supposed to offset” (p. 195). This may be because
when the remuneration matches what was taken (e.g., money is returned for money that should not have been taken), it becomes simpler to determine whether a wrong has been fully rectified. But once the harms customers suffer and the restitution they are offered are not in the same form, it becomes more difficult to determine whether the principle of proportionality is being upheld. For example, there is no way for an airline to give customers back the six hours lost during a delay or to undo the fact that a customer missed his niece’s graduation. In such cases, it becomes difficult to determine whether restitution offered is proportional to the harm. (Just how many frequent flier miles are those six hours’ worth?) Critically, when harms befall multiple customers, although it may be no easier to verify that the principle is being upheld, it becomes much simpler to see that the principle is being violated. That is, when two customers suffer the same harms but are compensated differently, the normative violation is immediately apparent.

Of course, the presence of another harmed customer can make it clear that customers are being treated differently, but once the harms they suffer differ, it again becomes challenging to determine whether proportional restitution has been offered. Imagine being at a restaurant and waiting an hour for an entrée. One table over, a regular customer also waits an hour but then receives the wrong entrée at that hour’s conclusion. The principle of proportionality clearly requires that the other customer be offered more in restitution, but it is difficult to say exactly how much more.

Although it was not focal to our efforts, we see evidence of this in the results of Study 4. In that study, participants were more forgiving of inequities whenever differential harm existed, but their forgiveness was not sensitive to the magnitude of that difference. That is, the inequity penalty was reduced by the same amount regardless of whether the high-status customer had
suffered greater direct harm, greater indirect harm, or both. Rather than reflecting a boundary on concerns with the principle of proportionality, this most likely reflects how difficult it is to apply the principle when: 1) harm and restitution take different forms, and 2) two customers’ harms diverge.

Inequitable Service Repair and the High Value Customer

Although the present research examined how people feel about being treated relatively unfavorably in the context of service repair, it is a more complex—but no less intriguing—question how high-value customers respond to (relatively favorable) inequitable treatment. The answer to this open question should rest on the summative impact of three factors: (1) the extent to which high-status customers feel uncomfortable with vs. deserving of differential treatment, (2) the fact that high-status customers will typically receive objectively more compensation, and (3) the way in which high-value customers determine whether restitution follows the principle of proportionality. For low-status customers, all three domains of concern typically point toward a negative response to inequitable treatment offered in service repair. But for high-status customers, these factors may work in opposition to each other, making it harder to predict high-status customers’ ultimate response in situations like those studied here.

First, consider whether high-status customers feel deserving of superior treatment. There certainly are examples of high-value customers feeling uncomfortable with extra spoils. Jiang, Hoegg, and Dahl (2013) capture some of the dynamics we allude to above when they note that such privileged individuals experience:
“…positive feelings of appreciation for the treatment [that] can be accompanied by feelings of social discomfort stemming from concerns about being judged negatively by other customers. Those feelings of discomfort can reduce satisfaction with a shopping experience and affect purchase behaviors” (p. 412).

Soderlund and Gabriel (2011) found that those who considered receiving 25% more ice cream than another customer (despite placing the same order and paying the same amount) were not more satisfied as the result of their favorable treatment, feeling that the inequitable treatment they had benefitted from was unjust (see also Soderlund et al. 2014).

But these examples focused on *unearned* preferential treatment. In contrast, preferential treatment associated with customer loyalty or value may be viewed as a legitimate or earned basis for superior treatment. Indeed, high-status customers have been shown to feel that preferential treatment is often not merely justified but just (Colliander, Söderlund, and Szugalski 2016), perhaps reflecting how status-based loyalty programs can produce feelings of customer entitlement (Wetzel, Hammerschmidt, and Zablah 2013). This means high-value customers merely receiving favorable treatment (independent of whether such treatment comes as a form of service repair) is unlikely to upset them in the way that unfavorable treatment angers low-value ones. And even in the context of service repair more specifically, receiving more compensation is typically viewed more positively than receiving less (Gelbrich and Roschk 2011). In combination, this suggests that, all else equal, receiving better outcomes—both when one is a high-status customer and in the context of service repair—is likely to be greeted positively.

The question then becomes whether these two forces—feeling pleased by and even deserving of superior treatment—will offset the aversion high-status customers may experience to witnessing violations of the principle of proportionality. After all, we see no clear reason to
believe that high-status customers possess different norms of restorative justice than their low-status peers. As reviewed in the introduction, norms associated with apology are fairly universal. This means it is likely that high-value customers possess the same normative expectation as low-value customers about the importance of the principle of proportionality.

That said, even if high-value customers show the same attachment to the principle of proportionality, they may have their own take on what acts of restitution actually satisfy this norm. That is, high-status customers may believe they have suffered more harm than their low-status counterparts, even when the direct harms appear equivalent. For example, a platinum diamond elite business traveler may feel her time is more valuable than that of the college spring breaker who is also on her delayed flight. By this worldview, compensating both travelers *equitably* would itself be a violation of the principle of proportionality! Alternatively, high-value customers may be more likely to define relationships with companies in terms of the monetary value such customers bring with them. Through this lens, the same service failure causes greater harm to high-status customers because companies have damaged a relationship of greater value, thus requiring greater restitution. We look forward to future research that explores how these multiple dynamics play out among high-value customers.

Conclusion

The digital revolution has increased the number of customers businesses can serve. But with this additional reach has come the additional risk that service failures will affect many customers at once. That same digital revolution has allowed for customer relationship management (CRM) systems that assist companies with catering to high and low value
customers differently. But given that it is simpler and cheaper than ever for customers to communicate their customer experiences with each other, it is also all the more likely that customers will become aware of inequities in restitution. As a result, now more than ever it is important that businesses understand the consequences of using customer value metrics to differentiate their service repair efforts. It is only by understanding the psychological mechanisms that underlie those consequences that companies will be able to craft solutions that allow them to nurture their most valuable relationships without angering everyone else in the process.
REFERENCES


Cushman, Fiery (2008), “Crime and Punishment: Distinguishing the Roles of Causal and


Kiambi, Dane M. and Autumn Shafer (2016), "Corporate Crisis Communication: Examining the


Psycholinguistic Research, 26(1), 127–40.


Wetzel, Hauke A., Maik Hammerschmidt, and Alex R. Zablah (2013), “Gratitude Versus
