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ORIGINAL EMPIRICAL RESEARCH

Benefitting a few at the expense of many? Exclusive promotions and their impact on untargeted customers

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Abstract
It has been a widely held notion that firms can benefit from using preferential treatment in their customer relationship management strategies. For example, many firms provide select customers (i.e., recipients) with exclusive promotional offers that they purposefully do not extend to other customers (i.e., non-recipients). However, today's empowered consumers are more socially aware than ever of such divisive practices (via social media, deal websites, etc.), and firms must now better account for the negative backlash from non-recipients that may ensue. In this research, we conceptually define exclusive promotions and outline how they differ from other more heavily-studied customer prioritization tools. We then take a divergent approach from the majority of the extant literature by focusing primarily on how and why non-recipients (rather than recipients) respond to exclusive promotions. Study 1a findings reveal that non-recipients have negative attitudes toward exclusive promotions, as well as negative attitudes and lower patronage intentions toward the firm using them. Perceived social exclusion was shown to underlie these unfavorable responses. In Study 1b, we rule out an alternative equity-based explanation of our findings by assessing loyalty to the firm as a potential moderator. We then extend our investigation to a field setting in Studies 2 and 3. There we replicate our Study 1a results, and assess consumers' actual purchasing behavior in response to a real exclusive offer for enhanced generalizability. Lastly, in Studies 4 and 5 we empirically test two strategies that firms can potentially use to mitigate the negative effects of exclusive promotions documented here.

Keywords Exclusivity · Promotions · Preferential treatment · Social exclusion · Customer prioritization · Customer relationship management

Introduction

The use of exclusive and highly targeted promotions has recently gained considerable traction among firms as a way to more efficiently provide preferential treatment to select customers (Barone and Roy 2010a, b; Thompson et al. 2015). Because it is simply not practical or profitable to treat *all* customers in a superior fashion, firms often establish priorities among their customers, and then selectively allocate special offers and deals to targeted customers. For example, retailers such as Amazon, Costco, and Staples try to foster goodwill among students, teachers, and military personnel by offering them special benefits that are not extended to other customers. Existing research details numerous advantages of providing targeted customers with preferential treatment, including higher sales, customer profitability, relationship commitment, and positive word-of-mouth (Homburg et al. 2008; Lacey et al. 2007; Wübben and Wangenheim 2008). Similarly, prior work specifically focused on sales promotions highlights targeted customers' positive reactions to receiving offers that vary in discount size (Saini et al. 2010), frequency (Alba et al. 1999), framing (Chen et al. 1998), incentives (Winterich and Barone 2011), and restrictions (Weathers et al. 2015).

While this insight is valuable in its own right, it does not acknowledge that *untargeted* customers are often aware of,

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and affected by, such activities (see Henderson et al. 2011; Darke and Dahl 2003). Accordingly, researchers have recently noted that more insight is needed on the potential drawbacks of preferential treatment in order to better understand its overall impact (Nguyen 2012; Butori and De Bruyn 2013; Jiang et al. 2013; Thompson et al. 2015). Wetzel et al. 2014highlighted this gap in the literature, stating, “Although previous researchers have devoted substantial effort to understanding the desirable effects of customer prioritization initiatives, their potential *undesired* consequences remained unexplored” (emphasis added; p. 14). Similarly, the extant sales promotion literature offers little insight on *untargeted* consumers’ reactions to *not* receiving offers (Thompson et al. 2015) (see Table 1 for an overview).

We address these gaps in the literature by focusing primarily on untargeted customers’ (potentially negative) reactions to an understudied customer prioritization tool: exclusive promotions. We further differentiate our work by using a social exclusion framework, thereby providing needed insight on how consumers respond to exclusion (Lee and Shrum 2012; Wan et al. 2014). The rest of this article is organized as follows: first, we conceptually define exclusive promotions and outline how they are distinct from other prioritization tools (highly targeted promotions and loyalty programs). We then examine in Study 1a how, and why, untargeted customers respond to exclusive promotions. In Study 1b, we consider an alternative explanation of our Study 1a findings by assessing loyalty to the firm as a potential moderator. We then expand our investigation to field settings in Studies 2 and 3. There we replicate our Study 1a results and assess consumers’ actual purchasing behavior in response to a real exclusive offer for enhanced generalizability. Lastly, we test strategies that firms can use to potentially mitigate untargeted customers’ negative responses to exclusive promotions in Studies 4 and 5. A conceptual overview of our studies is offered in Fig. 1.

What are exclusive promotions?

The use of exclusivity represents a firm’s strategic, conscious effort to provide certain individuals or groups with a special benefit. At the same time, it also represents a firm’s effort to ensure that all other customers *do not* receive that same benefit. In line with this, we define an exclusive promotion here as an *invitation-only, non-contractual promotional offer intended for a certain individual that can be acted upon by only that individual due to verifiable eligibility and redemption criteria set forth by the promoter (*i.e., *firm)*.[1] The qualification criteria for such offers are often, but not always, non-transparent. Thus, a natural dichotomy of consumers exists for any given exclusive promotion: (1) those who were selected by a firm to receive the offer and (2) those who were not (i.e., everyone else). We conceptualize these consumers here as “recipients” and “non-recipients,” respectively. The “exclusion effect” broadly refers to non-recipients’ negative responses to not being selected by a firm to receive an exclusive offer.

Though not as prevalent as highly targeted promotions or loyalty programs, exclusive promotions have become increasingly popular in large part due to targeted customers’ positive responses to receiving them (Barone and Roy 2010a, b). The increased use of (verifiable) exclusive offers also stems from firms’ inability to restrict customers from “cashing in” on highly targeted offers not meant for them (Thompson et al. 2015). For example, Uber provides select customers with exclusive promotional “ride credits” at its discretion. These credits are deposited directly into recipients’ accounts, thus preventing untargeted customers from using them. Online meal provider HelloFresh gives promotional codes to certain customers that can be used only when orders are shipped to the names and mailing addresses on file for those customers. Ace Hardware extends offers that can be redeemed only once, in-store, after recipients provide photo identification that matches the name on the offer.

Several key factors conceptually distinguish exclusive promotions from other customer prioritization initiatives (see Table 2 for an overview). First, non-recipients cannot incur the benefits of an exclusive offer once it has been extended to recipients (without approval from the firm). That is, exclusive offers are non-transferrable due to verifiable eligibility and redemption restrictions set by the firm. Consider an airline that offers a free flight only to customers who purchased at least 50 tickets during the year. The airline can use its own records to initially identify which customers should be recipients, and then use verifiable redemption criteria (e.g., photo identification) to ensure that non-recipients cannot redeem a recipient’s offer.

This inability for untargeted customers to “self-correct” their status and act upon exclusive offers represents an important distinction between highly targeted promotions and exclusive promotions. Highly targeted promotions are intended for—but critically not limited to—certain individuals or groups. Non-recipients can (and often do) act upon them due to a lack of verifiable eligibility and redemption criteria (Thompson et al. 2015). For example, a firm may extend a general code to customers on its email list (“5OFF for 5% off”), which can be publically shared and used repeatedly by many customers (including non- recipients). Thus, exclusive promotions afford more precise control over which consumers act upon an offer.

Next, exclusive promotions are non-contractual. Firms have complete discretion to decide which customers receive exclusive benefits, the nature of those benefits, and why they are extended. For example, an online retailer may choose to give customers A and B unique 25 and 10% discount codes, respectively, but not extend a code to customer C at all. This

[1] While we are not the first, or only, researchers to examine exclusive promotions, we do want to more fully delineate them from other prioritization tools (both conceptually and practically) due to limited research in this area.

Table 1 An overview of relevant marketing literature on promotional effects on untargeted customers

Publication	Primary research objectives	Promotion type	Segments studied	Conceptual framework	Methods used	Key dependent measures	Key findings
Present research	Examine how untargeted consumers respond to exclusive promotions. Understand what mechanisms drive these effects. Test actionable managerial strategies to attenuate untargeted consumers' negative reactions.	Exclusive Promoti-ons	Untargeted & Targeted Consumers	Social exclusion	Experiment	Social exclusion; Promotion & Retailer attitudes; Patronage intent; Purchase incidence; Spending amount; Intent to perform self-correcting behavior; Locus of Causality; Fairness	Compared to targeted customers, untargeted customers have more negative attitudes toward exclusive promotions, as well as more negative attitudes and lower intentions to patronize firms that use them. Untargeted customers also exhibit lower purchase amounts. Social exclusion mediates these effects. Firms can mitigate these negative outcomes by giving untargeted customers an explanation that elicits an internal locus of causality within the customer. Providing untargeted customers the chance to self-correct further attenuates their negative responses, and is most effective when their social distance from the recipient group is minimal (consists of close friends vs. strangers).
Xia and Monroe 2017	Investigate the effect of targeted promotions on untargeted consumers' fairness perceptions.	Targeted Promoti-ons	Untargeted Consumers	Identity theory; Relational identity; Attribution theory	Experiment	Price fairness; Relational & Personal identity; Value	Untargeted consumers consider targeted promotions unfair, due to damaged relational identity with the seller more so than reduced perceived value.
Fernandes and Calamote 2016	Investigate how new & existing customers respond to price discrimination.	Targeted Promoti-ons	Untargeted & Targeted Consumers	Equity theory	Experiment	Perceived fairness, trust, satisfaction, repurchase intentions	Current customers who are disadvantaged by price discrimination favoring new customers believe this outcome to be less fair (and are less satisfied) than new customers who are disadvantaged by price discrimination favoring existing customers.
Thompson et al. 2015	Assess how untargeted customers evaluate targeted promotions based on promotional characteristics.	Targeted Promoti-ons	Untargeted Consumers	Equity theory; Economic-scarcity theory	Content analysis; Ordinal logistic regression	Deal evaluation	Targeted promotions with time and quantity limits positively influence untargeted customers' deal evaluations. Making clear that the deal is not the lowest price available may deter untargeted customers.
Lhoest-Snoeck et al. 2014	Investigate the impact of awareness of campaigns on retention intention and ultimately customer lifetime value.	Targeted Promoti-ons	Untargeted Consumers	Equity theory	Cross-sectional multivariate regression analysis	Retention intent; Aided awareness; Attractiveness; Complaint behavior	Existing customers who are aware of acquisition campaigns stay longer, but their CLV is not significantly different from unaware customers. More attractive offers lead to higher retention intentions.
					Experiment		

Table 1 (continued)

Publication	Primary research objectives	Promotion type	Segments studied	Conceptual framework	Methods used	Key dependent measures	Key findings
Pizzutti dos Santos and Basso 2012	Examines the role of fairness perceptions, trust, and emotions in driving customers' responses to acquisition promotion campaigns.	Targeted Promotions	Untargeted Customers	Social comparison theory; Cognitive experiential & appraisal theories		Price fairness; Trust; Negative emotions; NWOM; Switching intent	Trust and negative emotions simultaneously mediate the effect of perceived price unfairness on switching intentions and NWOM intentions following exposure to an acquisition campaign promotion.
Tsai and Lee 2007	Compare emotional outcomes of targeted vs. untargeted consumers.	Targeted Promotions	Untargeted & Targeted Consumers	Dual entitlement theory; equity theory; social comparison theory	Experiment	Perceived unfairness; Perceived value; Negative emotions; Purchase intentions	Acquisition promotions are perceived as unfair by existing customers. When existing customers receive better price promotions than new customers, all customers find this to be fair.
Lo et al. 2007	Determine whether consumers perceive an offer as more attractive based on target group composition.	Targeted Promotions	Untargeted Consumers	Inference making; Idiosyncratic fit; Equity theory	Experiment	Choice; Product & promotion preference	When consumers believe that the promotion is designed to attract experts in a product category, they use this information to infer high product quality, leading to a preference for the product.
Grewal et al. 2004	Compare the effects of buyer identification & purchase timing segmentation strategies for promotional offers.	Targeted Promotions	Untargeted Consumers	Trust; Norm theory; Attribution theory	Experiment	Trust; Price fairness; Repurchase intent	Purchase timing segmentation strategies engender greater perceptions of trust, price fairness and repurchase intentions than do buyer identification segmentation strategies. These effects are mitigated when the retailer offers a cost-based explanation for the price differences.
Darke and Dahl 2003	Clarify the role of fairness in driving the value consumers place on receiving a deal.	Targeted Promotions	Untargeted & Targeted Consumers	Transaction utility theory; Equity theory	Experiment	Fairness; Purchase satisfaction; Purchase attributions	Demonstrates that perceived fairness adds nonfinancial, psychological value to attaining a deal, and that this fairness stems not only from transactional utility, but also from perceptions of equity derived from social cues.
Feinberg et al. 2002	Determine if consumer shopping preference is affected by differential prices among consumers.	Targeted Promotions	Untargeted Consumers	Equity theory	Experiment; Stochastic modeling; Game theory	Switching behavior	The set of prices offered to various groups affects consumers' firm preferences. Offering lower prices to prospective customers is not sustainable long-term due to repeated switching behavior.

flexibility distinguishes exclusive promotions from loyalty programs that contractually obligate firms to give customers predetermined benefits based on their inputs to the firm (e.g., "Customers will earn 1 free night upon staying 5 nights") (Henderson et al. 2011).[2]

Lastly, exclusive promotions are often, but not always, non-transparent. Firms can choose to voluntarily disclose the qualification criteria for any given exclusive offer, but importantly, are not obligated to do so.[3] By contrast, firms must provide consumers with clear rules and policies associated with their loyalty programs. Consumers know the requirements for each available benefit in a program, and can choose whether to fulfill those requirements or not.

Conceptual development and hypotheses

Social awareness of exclusive promotions

Firms could once provide select customers with exclusive benefits in a relatively discrete manner. However, technological advancements and the rise of social media have driven marketplace transparency to an all-time high, enabling consumers to be much more active in the exchange process. Consumers now regularly share targeted promotional offers, special promotional codes, and links to "secret" webpages to help other customers access deals not originally intended for them (Thompson et al. 2015). This sharing often takes place on specialized deal-sharing websites (e.g., SlickDeals.net) that aggregate promotions and enable non-recipients to act more easily on them (Thompson et al. 2015). Thus, consumers are now more aware than ever when firms give other customers special benefits that they do not receive, themselves (Lhoest-Snoeck et al. 2014; Ludwig et al. 2017; Steinhoff and Palmatier 2016; Xia and Monroe 2017).

Using a social exclusion theoretical framework, we posit that this social awareness surrounding firms' use of exclusive promotions threatens non-recipients' fundamental need for belongingness. In response, they should act negatively toward the firm that excluded them (negative attitudes, lower patronage intent, etc.). We expect non-recipients' felt exclusion (and thus their negative responses) to be particularly strong in this context since verifiable eligibility/ redemption criteria prohibits them from changing their excluded status.[4] Our hypotheses follow.

[2] Conversely, consumers are not contractually obligated to participate in a firm's loyalty program. However, they must meet certain requirements if they want to incur certain program benefits (per the outlined program rules).

[3] We explore in Studies 4 and 5 whether providing such information can potentially reduce the exclusion effect.

[4] However, since exclusive promotions are non-contractual, firms can retroactively extend an offer to a non-recipient for any reason. We examine if doing so leads to more positive, restorative responses toward the firm in Study 5.

Social exclusion

Social exclusion occurs when individuals are deprived of relationships that are positive, significant, and lasting (Baumeister and Leary 1995; Derfler-Rozin et al. 2010). As fundamentally social beings, humans are highly sensitive to exclusion. It threatens basic needs, such as belonging, self-esteem, control, and belief in a meaningful existence (Williams 1997), and it can even adversely affect physical well-being (Baumeister and Leary 1995). In short, the need to belong is a "powerful, fundamental, and extremely pervasive motivation" (Baumeister and Leary 1995, p. 497).

Extant research reveals rather inconsistent findings on how individuals react to being excluded (Maner et al. 2007; Wan et al. 2014; Williams 2007). Some responses are prosocial and aimed at regaining acceptance (Williams 2007); for example, excluded individuals may be more likely to conform to others' opinions (Williams et al. 2000) and to attend to social cues in order to restore inclusion (Pickett and Gardner 2005). They may also engage in affiliative consumption (Mead et al. 2011) or purchase products that are symbolic of past relationships (Loveland et al. 2010).

However, more relevant to the current theorizing, social exclusion may instead lead to negative and dissociative behaviors. Excluded individuals have been shown to donate less money (Twenge et al. 2007), to be less cooperative with peers (Twenge et al. 2007), and to display increased aggression toward sources of exclusion (Buckley et al. 2004). In consumer behavior contexts, excluded individuals have been shown to make potentially self-defeating financial decisions (Duclos et al. 2013), to be less willing to undertake eco-friendly behaviors (e.g., patronizing a "green" hotel) (Gao and Mattila 2016), and to use brand differentiation to distinguish themselves from sources of exclusion (Wan et al. 2014).

Importantly, excluded individuals will likely display positive, restorative behaviors aimed at social reconnection only if doing so is realistic and will lead to stable, meaningful interactions (Maner et al. 2007; Mead et al. 2011; Wan et al. 2016). Because non-recipients cannot self-correct their excluded status once a firm extends an exclusive offer, we do not expect them to react positively toward the firm. Instead, since individuals tend to attribute causality for negative events to external factors, we expect non-recipients to attribute their negative promotional outcomes to the firm (an external factor) (Miller and Ross 1975; Folkes 1988; Clark and Isen 1982).[5] These external attributions should lead them to feel excluded by the firm and should ultimately manifest in negative attitudes toward it and its exclusive promotion (Williams and Sommer 1997; Campbell 1999; Xia et al. 2004). Since excluded individuals often seek to protect themselves from further

[5] "Promotional outcome" refers to whether or not a consumer was chosen by a firm to receive an exclusive offer.

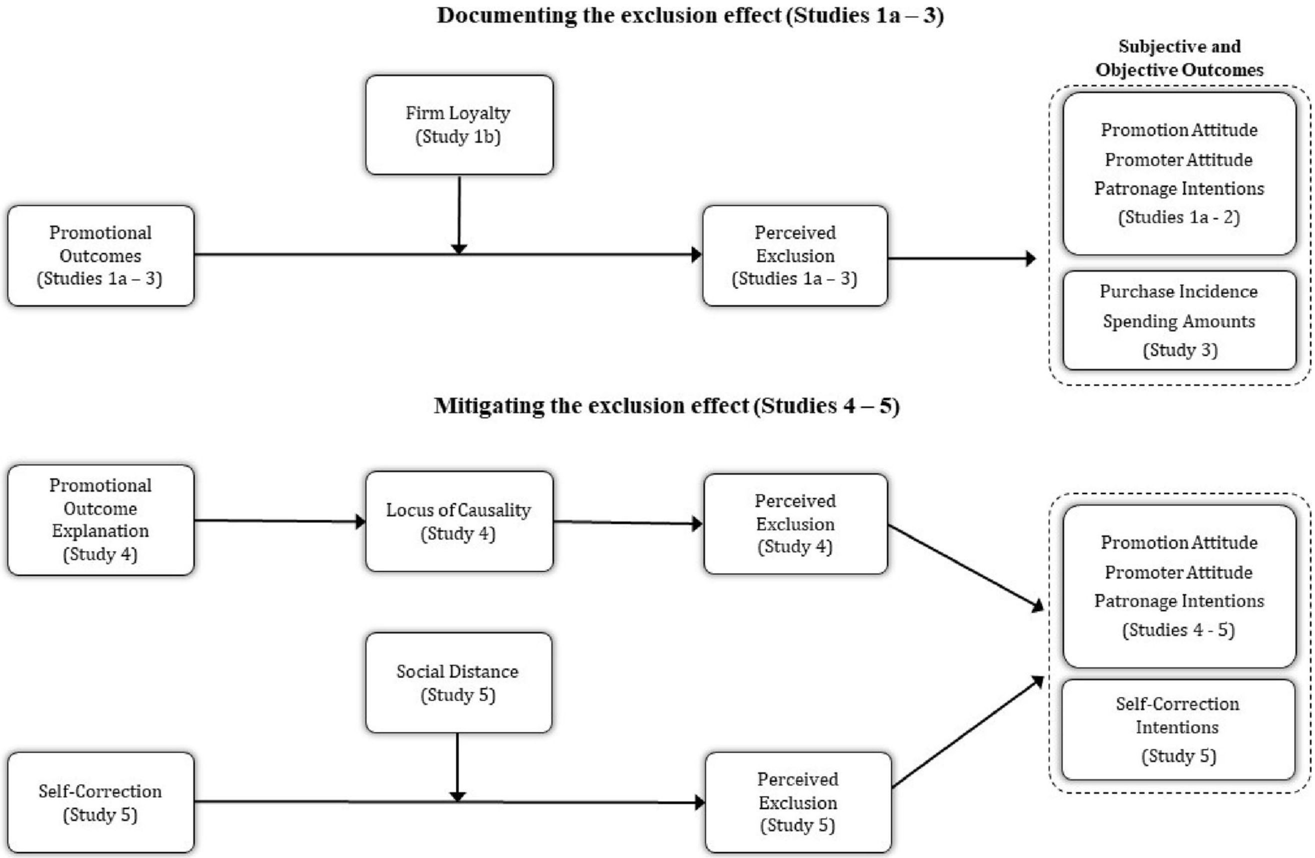

Fig. 1 **Conceptual overview of all studies. Note:** All respondents were non-recipients in Studies 4–5 in order to test strategies aimed at mitigating the exclusion effect that was documented in Studies 1a–3

exclusion (Maner et al. 2007), we also expect non-recipients to have lower intentions to patronize the excluding firm in the future. In sum, perceived exclusion should underlie the proposed effects of exclusive promotions:

H1: Non-recipients will have (a) stronger feelings of exclusion, (b) more negative promotion attitudes, (c) more negative promoter attitudes, and (d) lower patronage intentions than recipients.

H2: Perceived exclusion will mediate the effect of exclusive promotional outcomes on: (a) promotion attitudes, (b) promoter attitudes, and (c) patronage intentions.

Study 1a

Design, participants, and procedure

The purpose of Study 1a was to test H1 and H2. Respondents were selected (or not selected) to receive an exclusive offer from an electronics retailer. The 78 adult respondents for this online study were obtained using Amazon Mechanical Turk (MTurk). Approximately 72% were female, the mean age was 34, and the median income was \$50,000 to \$59,999. Consistent with prior promotional research (Barone and Roy 2010a, b), all respondents were told they would be evaluating an exclusive promotion offered by a major electronics retailer with whom they have shopped in the past. They were informed that the retailer offered the promotion on an invitation-only basis to a very select group of verifiable customers based on their past patronage, and that they may or may not receive the offer as a result. All respondents then evaluated the promotion before being informed that they were (or were not) selected to receive the offer (see Web Appendix A) (Barone and Roy 2010a, b).

All measures exhibited satisfactory reliability (all r's > .97; all p's < .0001; see Web Appendix B).[6] Promotion attitudes were assessed with "My opinion of this sales promotion is" (1 = bad/7 = good; 1 = negative/7 = positive) (modified from Barone and Roy 2010a). Promoter attitudes were assessed with "What is your overall attitude toward the electronics retailer?" (1 = bad/7 = good; 1 = unfavorable/7 = favorable) (modified from Mitchell and Olson 1981). Patronage

[6] The order in which the mediator (exclusion) and the outcomes were measured varied across studies, though the main effects on these variables—and the mediating effects of exclusion—were highly consistent across all studies.

Table 2 A conceptual comparison of exclusive promotions, highly targeted promotions, and loyalty programs

Common customer prioritization initiatives	Characteristics						
Construct	Definition	Marketplace example	Invitation only	Absence of self-correction	Verifiable qualification & redemption criteria	Non-contractual	Non-transparent
			Firm extends unique offers to targeted customers	Untargeted customers cannot incur the benefits of an offer once extended (unless approved by the firm)	Procedures and criteria ensure offer is successfully acted upon only by targeted customers	Firms can voluntarily extend offers at their complete discretion	Qualification criteria are not necessarily disclosed
Exclusive promotions	*Invitation-only, non-contractual promotional offers intended for a certain individual that can only be acted upon by that individual due to verifiable qualification and redemption criteria set forth by the promoter. They are often, but not always, non-transparent.*	Dick's Sporting Goods provides select customers with unique promotion codes that can only be used once by the intended recipient after showing photo identification that matches the name on the offer. Dick's voluntarily provides these offers at its discretion, often with no explanation.	✓	✓	✓	✓	✓
Highly targeted promotions	*Non-contractual promotional offers intended for a certain individual that can be acted upon by that individual and others not targeted by the promoter (due to a lack of verifiable redemption criteria)*	American Airlines emails newsletters with special offers to customers who have registered for the email list. Offers can be shared with others not on the list, and anyone can sign up for the list to become recipients.	✓			✓	✓
Loyalty programs	*Contractual promotional offers intended for a certain individual enrolled in an organized program that can be acted upon only by that individual due to transparent and verifiable criteria set forth by the promoter*	Dick's Sporting Goods allows enrolled customers to earn a predetermined amount of benefits based on the amount of money they spend in-store (e.g., every \$1000 spent earns \$100 in cash rewards).		✓	✓		

intentions were assessed with "How likely are you to buy your electronics from this retailer in the future?" (1 = very unlikely/ 7 = very likely; 1 = not probable/ 7 = very probable) (modified from Newman et al. 2014). Perceived exclusion was assessed with "How did your outcome in the sales promotion make you feel?" (1 = included by the retailer/ 7 = excluded by the retailer; 1 = accepted by the retailer/7 = rejected by the retailer) (adapted from Zadro et al. 2004). Exclusivity of the offer was assessed with "The sales promotion was:" (1 = available to many customers/7 = available to few customers; 1 = not at all selective/7 = very selective) (modified from Barone and Roy 2010a).

Results

A crosstab analysis indicated that 97% (100%) of respondents accurately reported (not) receiving the offer when they were (not) selected to receive it ($\chi^2 = 74.10$, $p < .0001$). They also viewed the offer as highly exclusive, regardless of their outcome (M = 6.33 vs. M = 6.30; $p = .94$).

As expected, results from a multivariate analysis of variance (MANOVA) indicated that non-recipients had more negative promotion attitudes (M = 2.40 vs. M = 5.69; $F(1,76) = 100.10$, $p < .0001$), promoter attitudes (M = 2.57 vs. M = 5.71; $F(1,76) = 105.10$, $p < .0001$), lower patronage intentions (M = 2.95 vs. M = 5.96; $F(1,76) = 65.81$, $p < .0001$), and higher feelings of exclusion (M = 6.09 vs. M = 1.89; $F(1,76) = 327.39$, $p < .0001$) than did recipients. These results support H1.

We then employed Hayes' (2013) PROCESS Model 4 with 5000 bootstrap samples and 95% bias-corrected confidence intervals (CIs) to test the indirect effects (IEs) proposed in H2. As expected, results revealed that the CI surrounding the negative IE of promotional outcomes on promotion attitudes did not contain zero (IE = −3.90; CI [−5.2330, −2.6794]). This indicates that perceived exclusion served as a mediator (Hayes 2013; see also Zhao et al. 2010). Similar results were found for the negative IEs on promoter attitudes (IE = −3.99; CI [−5.1042, −3.0993]) and patronage intentions (IE = −4.21; CI [−5.4592, −2.9994]). Thus, H2 is supported.

Discussion

We confirmed in Study 1a that non-recipients evaluate exclusive promotions negatively, and that these unfavorable effects also extend to the firm, itself. The Study 1a results also provide critical insight into *why* these effects occur by identifying perceived exclusion as an important mediator. However, recall that respondents were asked to assume they had previously shopped with the retailer, and that the promotion was designed to reward customers for their past patronage (consistent with Barone and Roy 2010a, b). It is possible that respondents inferred from this that they were loyal customers, and thus felt entitled to receive the offer (Adams 1965; Tsai and Lee 2007; Xia and Monroe 2017). This equity-based viewpoint may serve as a rival explanation of why non-recipients reacted negatively. It also raises the question of whether their negative reactions *only* occur when loyalty is high. Thus, in Study 1b we explicitly manipulate loyalty to the firm to examine non-recipients' responses to exclusive offers under conditions of both high and low loyalty. We also assess perceived unfairness as a potential rival mediator.

Study 1b

Social and equity accounts of exclusion

The exclusion-based account we use predicts that *non-recipients* will react more negatively than *recipients* within each loyalty condition (i.e., when holding loyalty constant). That is, based on the reviewed literature and our Study 1a findings, we expect *non-recipients* to feel more excluded and respond more negatively than *recipients* when loyalty is higher, as well as when it is lower. Further, individuals react negatively to exclusion regardless of the source (e.g., human vs. computer; Zadro et al. 2004) or the strength of their relationship with that source (e.g., in-groups vs. out-groups vs. hated out-groups; Gonsalkorale and Williams 2007; Williams et al. 2000). Thus, different from the equity account outlined next, we do *not* expect *highly loyal* and *low loyal* non-recipients' perceived exclusion or negative reactions to differ (i.e., all non-recipients should feel highly excluded and react negatively as a result, regardless of loyalty). Lastly, in line with H2 and our prior rationale, an exclusion account predicts that exclusion will mediate the effects of promotional outcomes at both loyalty levels.

Alternatively, an equity/fairness perspective suggests that an exchange is perceived as fair when the ratio of costs (i.e., inputs) and benefits (i.e., outputs) is balanced (Adams 1965). This suggests that, when holding loyalty/ inputs constant, different promotional outcomes/outputs would lead *non-recipients* to express stronger unfairness perceptions and more negative reactions than *recipients* (e.g., low loyal *non-recipients* would have stronger unfairness perceptions and more negative reactions than low loyal *recipients* since they have identical inputs—but receive a less favorable outcome). In contrast to the social exclusion account above, an equity perspective would also predict that *highly loyal* non-recipients would express stronger unfairness perceptions and more negative reactions to their unfavorable outcomes than *low loyal* non-recipients (due to having higher inputs/ loyalty) (Darke and Dahl 2003; Martin et al. 2009). Finally, an equity account would predict that perceived fairness would mediate the effects of promotional outcomes at both loyalty levels. We collectively outline these predictions below:

H3: *Non-recipients* will have (a) stronger feelings of unfairness, (b) stronger feelings of exclusion, (c) more negative promotion attitudes, (d) more negative promoter attitudes, and (e) lower patronage intentions than *recipients* when loyalty is high and when it is low.

H4: *Highly loyal* non-recipients will have (a) stronger feelings of unfairness, (b) more negative promotion attitudes, (c) more negative promoter attitudes, and (d) lower patronage intentions than *low loyal* non-recipients.

H5: Perceived exclusion will mediate the effect of exclusive promotional outcomes on: (a) promotion attitudes, (b) promoter attitudes, and (c) patronage intentions when loyalty is high and when it is low.

H6: Perceived unfairness will mediate the effect of exclusive promotional outcomes on: (a) promotion attitudes, (b) promoter attitudes, and (c) patronage intentions when loyalty is high and when it is low.

Design, participants, and procedure

The purpose of Study 1b was to test H3-H6. Study 1b was an online study that utilized a 2 (promotional outcome: recipient vs. non-recipient) × 2 (loyalty to retailer: higher vs. lower) between-subjects design. The 100 adult respondents for this study were again obtained using MTurk and randomly assigned to one of the four conditions. Approximately 51% were female, the mean age was 38, and the median income was $50,000 to $59,999.

The Study 1b procedures were identical to those used in Study 1a except for two key differences. First, we added the loyalty manipulation, and second, we did not tell respondents that the promotion was designed to reward customers for past patronage (to avoid confounding the loyalty manipulation). Drawing from prior research on customer loyalty in retail contexts (Martin et al. 2009), respondents in the higher loyalty condition were told before evaluating the promotion: “Please assume that you frequently purchase items from this retailer. In fact, you rarely purchase electronics elsewhere.” Those in the lower loyalty condition were told: “Please assume that you rarely purchase items from this retailer. Most of the time you purchase your electronics elsewhere.” Thus, both groups of respondents had existing inputs/relationships with the retailer, though to varying degrees. All respondents then saw the same stimuli (see Web Appendix A) and promotional outcome manipulation from Study 1a. All measures were identical to those used in Study 1a and again displayed satisfactory reliability (see Web Appendix B). We also measured perceived (un)fairness with “My outcome in the sales promotion was fair” and “My outcome in the sales promotion was right” (1 = strongly disagree/7 = strongly agree) ($r = .94$; $p < .001$; Patterson et al. 2006). Respondents indicated whether they were told they had frequently or rarely shopped with the retailer as a loyalty manipulation check.

Results

A crosstab analysis indicated that 99% (100%) of respondents accurately reported receiving (not receiving) the offer ($\chi^2 = 100.00$, $p < .001$), while 100% (87%) accurately reported being told they frequently (rarely) shopped with the retailer ($\chi^2 = 75.54$, $p < .001$).

A MANOVA revealed that non-recipients again expressed more negative promotion attitudes (M = 2.89 vs. M = 5.17; $F(1,96) = 54.02$, $p < .0001$) and promoter attitudes (M = 3.11 vs. M = 5.19; $F(1,96) = 64.34$, $p < .0001$), lower patronage intent (M = 3.06 vs. M = 5.33; $F(1,96) = 59.48$, $p < .0001$), and stronger feelings of exclusion (M = 5.82 vs. M = 2.02; $F(1,96) = 285.77$, $p < .0001$) than recipients. These results are consistent with Study 1a and provide additional support for H1. Non-recipients also expressed lower fairness perceptions than recipients (M = 3.28 vs. M = 4.26; $F(1,96) = 12.76$, $p < .01$). There were no main effects of loyalty (*p*'s ranging from .23 to .95).

Results also revealed significant promotional outcome × loyalty interactions for perceived fairness ($F(1,96) = 7.83$, $p < .01$), perceived exclusion ($F(1,96) = 4.57$, $p < .04$), promotion attitudes ($F(1,96) = 6.92$, $p < .02$), promoter attitudes ($F(1,96) = 9.53$, $p < .01$), and patronage intent ($F(1,96) = 4.42$, $p < .04$). The plots of means for fairness and exclusion are in panels A and B of Fig. 2, respectively. The plots of means and follow-up contrasts for exclusion, promotion and promoter attitudes, and patronage intent were all highly consistent with each other. The plot for promotion attitudes is offered as an example in panel C of Fig. 2 (see also Web Appendix C).

Referring to panel A of Fig. 2, follow-up contrasts revealed that *non-recipients* had lower fairness perceptions than *recipients* when loyalty was higher, as expected (M = 3.07 vs. M = 4.80; $F(1,96) = 18.80$, $p < .0001$). However, contrary to an equity-based account, there was no difference in *non-recipients'* and *recipients'* fairness perceptions when loyalty was lower (M = 3.50 vs. M = 3.71; $p = .57$). Also inconsistent with the equity perspective, *highly loyal* non-recipients did not have lower fairness perceptions than *low loyal* non-recipients—despite having higher inputs ($p = .26$). Referring now to panel B, consistent with an exclusion-based account, *non-recipients* felt more excluded than *recipients* when loyalty was higher (M = 6.07 vs. M = 1.78; $F(1,96) = 167.97$, $p < .0001$) and when it was lower (M = 5.57 vs. M = 2.25; $F(1,96) = 118.44$, $p < .0001$). Also consistent with a social exclusion perspective, perceived exclusion did not differ between *highly loyal* and *low loyal* non-recipients ($p = .12$). Lastly, referring to Panel C, *non-recipients* had more negative promotion

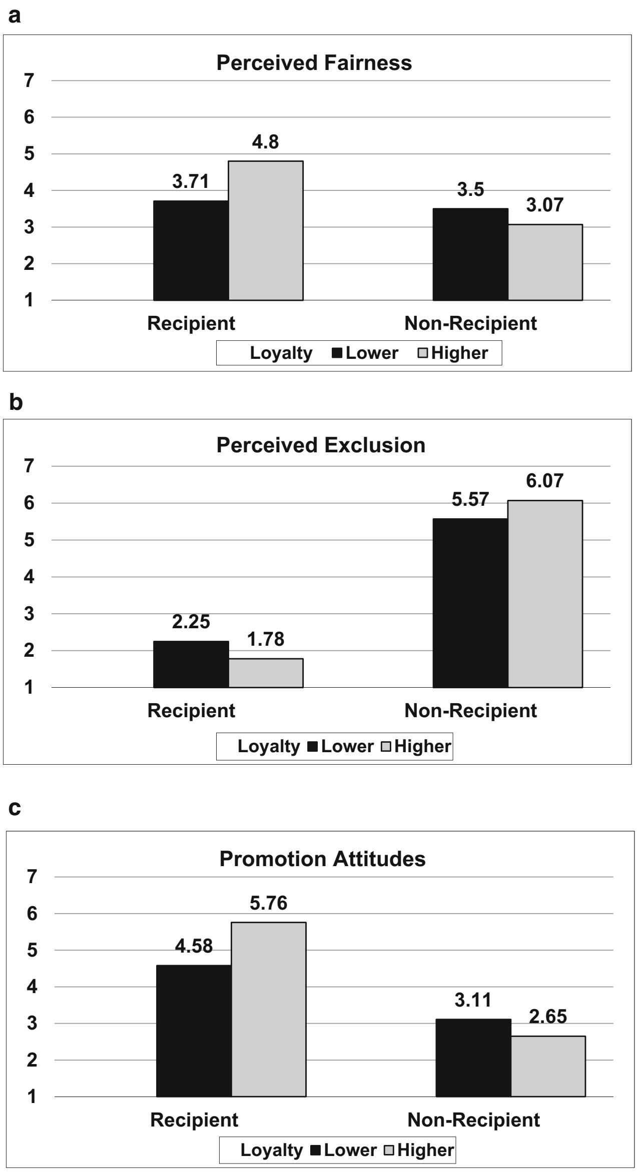

Fig. 2 Study 1b effects of promotional outcomes and loyalty. Note*:* Higher values indicate higher fairness, higher exclusion, and more positive attitudes

attitudes than *recipients* when loyalty was higher (M = 2.65 vs. M = 5.76; $F(1,96) = 46.15$, $p < .0001$) and lower (M = 3.11 vs. M = 4.58; $F(1,96) = 12.09$, $p < .01$), as expected. Also as expected, all *non-recipients* had negative promotion attitudes, regardless of loyalty ($p = .30$). Overall, these MANOVA results offer only mixed support for the prediction related to fairness in H3a, and no support for the fairness prediction in H4a. By contrast, results offer full support for the exclusion prediction in H3b, as well as full support for all predictions on all of the outcome variables in H3c-H3e and H4b-H4d.

Lastly**,** we used Hayes' (2013) PROCESS Model 8 with 5000 bootstrap samples and 95% bias-corrected CIs to determine whether the mediating effects of perceived exclusion shown in Study 1a are conditional on loyalty. Specifically, we assessed whether exclusion still mediated at each loyalty level while allowing fairness to also serve as a simultaneous (rival) mediator (Hayes 2013). The promotional outcome and loyalty variables were both mean-centered. As expected, the CI surrounding the negative IEs on promotion attitudes *through exclusion* did not contain zero when loyalty was higher (IE = −1.43; CI [−2.7166, −.2343]) or when it was lower (IE = −1.11; CI [−2.1541, −.1883]). This same pattern also emerged through exclusion for promoter attitudes ($IE_{higher} = -1.54$, CI [−2.5584, −.5858]; $IE_{lower} = -1.20$, CI [−2.0143, −.4847]) and patronage intent ($IE_{higher} = -1.13$, CI [−2.4378, −.0155]; $IE_{lower} = -.88$, CI [−1.8727, −.0199]). The absence of zero in these CIs indicates that exclusion still served as a mediator for all outcomes (while accounting for fairness) under conditions of both high and low loyalty (Hayes 2013).

By contrast, the CI surrounding the negative IEs on promotion attitudes *through fairness* did contain zero when loyalty was higher (IE = −.31; CI [−.9173, .1074]) and lower (IE = −.04; CI [−.3218, .0669]). This indicates that fairness did *not* mediate the effects of promotional outcomes on promotion attitudes in either loyalty condition. Results were mixed for promoter attitudes ($IE_{higher} = -.58$, CI [−1.1822, −.1833]; $IE_{lower} = -.07$, CI [−.3473, .1699]) and patronage intentions ($IE_{higher} = -.58$, CI [−1.2474, −.1539]; $IE_{lower} = -.07$, CI [−.3614, .1665]), revealing that fairness does not mediate when loyalty is lower (but does when it is higher). These findings provide full support for the mediating role of exclusion outlined in H5a-H5c. Conversely, the mediating role of fairness proposed in H6a was not supported, while H6b-H6c only received partial support.

Discussion

The Study 1b results reveal that all non-recipients felt highly excluded (and all expressed similarly negative attitudes and intentions) regardless of the strength of their relationship with the firm. These findings rule out the notion that non-recipients only react negatively to exclusive promotions under conditions of high loyalty. Results also show that the mediating effects of exclusion documented in Study 1a persisted for every outcome regardless of (1) the inclusion of fairness as a simultaneous rival mediator and (2) loyalty levels. Overall, the Study 1b main effects, interaction patterns, and conditional mediation results were all highly consistent with expectations from an exclusion-based theoretical perspective. By contrast, the equity-based predictions received only mixed support or no support at all.

Moving forward with added confidence in our social exclusion framework, we now seek to enhance the generalizability of our findings in Study 2. Specifically, we aim to replicate our Study 1a results in a field study using a different setting, firm, offer, and sample. We also use electronic word-of-mouth to more organically create awareness of the offer, and to better reflect how consumers often share sensitive promotional information in the marketplace. Study 2 respondents were not made aware that they were participating in a study until it was already over in order to further enhance realism (Morales et al. 2017).

Study 2

Design, participants, and procedure

Consistent with prior marketing research on social exclusion and exclusivity, we utilized a sample of 101 undergraduate students (e.g., Duclos et al. 2013; Feinberg et al. 2002). Participants were randomly assigned to receive (or not receive) an exclusive offer from a fictitious pizza restaurant.[7] Approximately 61% were female, and the mean age was 22. Participants were recruited from several of the researchers' undergraduate marketing courses and were compensated with course credit.

We created an email listserv at the beginning of the semester that we (the course professors) used as our primary mode of communication with all students in the participating courses. We had participants use the listserv extensively for over two months for a variety of tasks (e.g., communicating with each other, discussing local/current events, exam prep, asking questions, job openings) in order to habituate them to it. All listserv communications were always automatically sent to all participants. We took these steps to enhance the realism of the subsequent manipulation, as discussed next (see Morales et al. 2017).

After two months had passed, we initiated the promotional outcome manipulation on the listserv. First, we created a "dummy" email account for a fictitious pizza restaurant (Fat Joe's Pizza), and used it to send a flyer and accompanying message to our own personal email accounts (see panel A of Web Appendix D). This email stated: "We are a new restaurant that will be opening in Oxford in Spring 2017. We'd appreciate it if you could pass this flyer along to your students to help us spread the word. In the near future, we will have opportunities available to get your students involved in our launch." We were careful to ensure that this was originally sent from the restaurant's (dummy) email account to enhance the authenticity of the restaurant and its communications. We then used the listserv to forward the flyer and message (seemingly originating from the restaurant) to all participants. We did this to familiarize participants with the restaurant and, more importantly, to introduce the possibility that some of them may receive communications from it in the future (i.e., the exclusive promotional offer).

Approximately one week later, only half of the students were randomly selected to receive an exclusive offer from the restaurant (see panel B of Web Appendix D). The offer was sent only to these recipients (rather than to everyone via the listserv) directly from the same dummy restaurant email account used earlier with this message: "When our website is up and running, simply enter one of your 3 personalized codes below when checking out to get a free large pizza of your choice! (Note that you must present a valid ID when receiving the pizza that matches the name we have on file associated with your 3 codes). Our hope is that you'll reply to this email with your honest comments and feedback so that we can serve the best pizza in town when we open (and, if not, we hope you enjoy the free pizza)! Thanks from all of us here at Fat Joe's! Here are your 3 unique codes:____." We designed this message to reflect the conceptual traits of exclusive offers (i.e., invitation-only, verifiable redemption criteria, non-transparent).

The other half of students did not receive this offer. However, different from Studies 1a-1b, these non-recipients were not directly told: (1) that the offer even existed, or (2) that they were not selected to receive it. Instead, we more organically created awareness of the offer by posing as a student (using a dummy student email account) and sending this message to all participants (including non-recipients) via the listserv: "I just got this email from Fat Joe's. They are offering 3 large pizzas to be a taste tester, but it looks like the codes probably won't work for anybody but me. I figured I'd let everyone know anyway just in case." We then administered an in-class survey several days later to record the dependent measures of interest with the same items and checks from Studies 1a-1b (see Web Appendix B). Only after all surveys were completed did we inform participants that the retailer and offer were fictitious (see Morales et al. 2017). No participants ever indicated any suspicion about the study before, or after, the debriefing.

Results

Crosstab analysis results indicated a successful promotional outcome manipulation: (100%) 100% of participants accurately reported (not) receiving the offer ($\chi^2 = 103.00$, $p < .0001$).

MANOVA results again revealed that non-recipients expressed more negative promotion attitudes (M = 4.38 vs. M = 5.56; $F(1,99) = 23.20$, $p < .0001$) and promoter attitudes (M = 4.27 vs. M = 5.33; $F(1,99) = 19.13$, $p < .0001$), lower patronage intent (M = 3.92 vs. M = 5.05; $F(1,99) = 11.79$, $p < .001$), and higher feelings of exclusion (M = 5.24 vs. M = 2.26; ($F(1,99) = 99.44$, $p < .0001$) than recipients. These results are consistent with Studies 1a-1b and offer additional support for H1.

[7] Though the restaurant and its exclusive offer were both fictitious, the student participants were unaware that they were not real. That is, they were unaware that they were part of an experiment until it was over and all data had already been collected. Thus, the Study 2 findings reflect their responses to receiving (or not) a real exclusive promotion from a real firm (from their perspective) (see Morales et al. 2017).

We then used Hayes' (2013) PROCESS Model 4 with 5000 bootstrap samples and more conservative 99% bias-corrected CIs to test the mediating role of exclusion. Results revealed that exclusion again mediated the negative IE of promotional outcomes on participants' promotion attitudes (IE = −1.04; CI [−1.9048, −.3618]), promoter attitudes (IE = −1.30; CI [−2.0573, −.7110]), and patronage intentions (IE = −.89; CI [−1.8782, −.0823]) (i.e., the CIs did not contain zero; Hayes 2013; Zhao et al. 2010). These results offer additional support for H2.

Discussion

Study 2 successfully replicated our Study 1a findings in a new (offline) experimental setting. We did so using a subtler, more realistic manipulation that more closely aligned with how non-recipients often become aware of exclusive promotions in the "real world." We also further clarified exclusion as the mechanism underlying the observed effects through more rigorous mediation analyses. Overall, the Study 2 results provide additional support for H1 and H2 using a different firm (restaurant), setting (offline) and sample (students).

We took many steps to ensure that Study 2 was as realistic as possible from the participants' perspective (i.e., they were never aware that the firm or promotion were fictional until data collection had concluded) (see Morales et al. 2017). Thus, we expect that their responses would largely align with customers' responses to a "real" offer from a "real" firm. Still, the use of a fictitious retailer and offer potentially limit the generalizability of the Study 2 findings. We therefore offer a complementary field study (Study 3) in which adult customers of an existing firm either received (or did not receive) a real, redeemable exclusive offer. We also assessed their purchase behavior to further enhance external validity. Consistent with the reviewed literature and our Study 1a-2 findings, we expect customers' perceived exclusion to underlie the effects of their promotional outcomes on their purchase behavior.

Study 3

Design, participants, and procedure

The sample consisted of 83 adult customers of a popular online children's clothing company. The firm is a high-end specialty retailer that primarily targets mothers of young children. Customers were randomly assigned to one of two conditions: they received (or did not receive) a real, redeemable exclusive offer. All participants were female, the mean age was 37, and median income was $80,000–$89,999.

The clothing firm does not sell directly to consumers; rather, it uses a network of sales representatives (reps) referred to as "trunk keepers" who take orders from customers. After debriefing a rep about the aim of the study, she allowed us to draw our sample from her existing customer base.[8] We hired a professional graphic designer to create the exclusive promotional offer to ensure it closely matched the style the firm consistently uses in its promotions (see Web Appendix E). The rep's customers were then randomly assigned to either receive (or not) this redeemable offer (i.e., $20 off any order placed through the rep). Consistent with the firm's normal communication procedures, recipients received this offer via email from the same online email marketing system used by the firm. Thus, from the customers' perspective, they received (or did not receive) a real exclusive offer directly from the firm that could be acted upon during the promotional period (Morales et al. 2017).[9]

Company reps regularly use group forums (such as Facebook groups) to update their customers with relevant company information, answer questions, facilitate discussion, and ultimately take their orders. The rep we worked with communicates with her customers almost exclusively via her Facebook group. Since all participants were already members of this group, the rep made a post in the group (viewable by all customers) indicating that the firm had emailed an offer to some customers and that the promotional period would begin soon. This served to create awareness of the offer among non-recipients who had not been sent the offer (the rep regularly posts information about promotions initiated by the company, so making this post was normal practice from the participants' perspective). She then took orders from customers as she normally as in the past. All customers could place an order as usual, regardless of condition.

After the four-day promotional period concluded, and all purchase data had been recorded by the rep, she made another post in the Facebook group asking customers to take an academic survey about their "experiences with the clothing company" in exchange for payment from researchers at the local university. The offer was never referenced in the post. Ultimately, 83 adult customers completed the survey (41% response rate). We combined their responses with their purchase data from the promotional period (given to us by the rep and described below). This allowed us to determine

[8] While we had permission to manipulate customers' outcomes, we did not receive any assistance from the company, itself, to do so (e.g., we had to decide what the offer would be and look like, how to distribute and create awareness about it). Thus, we worked closely with the rep within the confines of the resources she had access to in order to ensure this field experiment was as realistic as possible based on Morales et al.'s (2017) criteria.

[9] The company, rather than the reps, typically makes all promotional/pricing decisions (e.g., which customers receive an exclusive offer). The company extends any offer to customers via email, and then informs reps which of their customers are eligible for it (if exclusive). Reps verify this eligibility when customers place their orders.

if their felt exclusion mediated the effects of their promotional outcomes on their actual purchase behavior. Participants were debriefed about the study only after all survey data had been collected (Morales et al. 2017). No participants indicated suspicion about the study or offer before, or after, debriefing.

Our dependent measures of interest were whether surveyed participants made a purchase during the promotional period (0 = no, 1 = yes) (Chandon et al. 2005), as well as the amount they spent during that period (total amounts ranged from \$0 to \$93.37 and reflect the \$20 exclusive discount, where applicable; all recipients who made a purchase redeemed the discount). We refer to these outcomes as purchase incidence and spending amount, respectively. We also assessed their perceived exclusion from the firm using the same items from Studies 1a-2 (see Web Appendix B).

Results

Logistic regression results indicated a significant main effect of promotional outcomes on purchase incidence ($b = -2.51$, SE = .52, $p < .0001$), such that non-recipients were significantly less likely to make a purchase during the promotional period than recipients. More specifically, only 7.55% of non-recipients made a purchase during the promotional window, whereas a significantly higher proportion of recipients made a purchase (46.67%) ($z = 4.15$, $p < .0001$).

ANOVA results also indicated a significant main effect of promotional outcomes on customers' spending amounts ($F(1,81) = 23.32$, $p < .0001$).[10] Specifically, across all respondents, non-recipients' average spending amounts (M = \$1.86) were significantly lower during the promotional period than recipients' average spending amounts (M = \$23.16). Comparing only those customers who actually made a purchase during the promotional period, results further reveal that non-recipients' average spending amounts (M = \$24.58) were significantly lower than recipients' average spending amounts (M = \$49.62) ($p < .05$). Said differently, non-recipients who made a purchase spent 50.46% less, on average, than did recipients who made a purchase.

Also, consistent with our prior findings, non-recipients again expressed stronger feelings of exclusion from the firm than did recipients (M = 5.73 vs. M = 3.36; $F(1,81) = 40.60$, $p < .0001$). This provides additional support for H1. We assessed whether these feelings of exclusion mediated the effects of respondents' promotional outcomes using PROCESS Model 4 with 5000 bootstrap samples and 95% bias-corrected CIs (Hayes 2013). Results revealed that the CIs surrounding the negative IEs of promotional outcomes on purchase incidence (IE = −1.34; CI [−3.1771, −.2972]) and spending amounts (IE = −6.29; CI [−12.9272, −1.0368]) did not contain zero, indicating that perceived exclusion again served as a mediator (Hayes 2013).[11]

Discussion

Study 3 was a field experiment that assessed real customers' responses to an actual exclusive offer from a real retailer. It extends our prior results by documenting effects on two key behavioral outcomes: purchase incidence and spending amount. Results show that non-recipients were less likely to make purchases, and spent less with the firm on average, than did recipients during the promotional period. Importantly, these effects emerged (1) after accounting for the \$20 discount redeemed by all recipients who made a purchase and (2) despite the fact that all customers could make purchases of any amount during that time. Consistent with our prior studies, perceived exclusion was shown to account for these effects. Overall, Study 3 provides more support for our theoretical framework and enhances the external validity of our findings.

Our results to this point collectively suggest that firms may be able to mitigate non-recipients' negative reactions by taking steps to decrease their feelings of exclusion. Doing so should in turn positively affect their attitudes and behavioral intentions. Thus, the purpose of Study 4 is to test a strategy that managers can use to potentially reduce perceived exclusion among non-recipients (importantly, without eliminating the use of exclusivity).

Study 4

Mitigating the exclusion effect

When consumers experience a negative event or outcome, they often question *why* it occurred (Bolton et al. 2003; Folkes 1988). They also seek ways to attenuate their felt exclusion in order to satisfy their fundamental need for belongingness (Mead et al. 2011; Baumeister and Leary 1995). To this end, prior research indicates that friendly interactions may reduce aggression from excluded individuals (Twenge et al. 2007). This suggests that firms can possibly restore non-recipients' felt inclusion by initiating an interaction to explain how their promotional outcomes were decided (c.f., Gelbrich 2010; Harmeling et al. 2015).

However, the efficacy of such an explanation likely depends on how it affects non-recipients' causal attributions

[10] This reflects *all* respondents' spending levels; if a respondent did not make a purchase, his/her spending amount was \$0.

[11] We also measured respondents' promotion attitudes, promoter attitudes, and patronage intentions with the same items used in prior studies. Consistent with Studies 1a-2, results again revealed the same significant main effects of promotional outcomes on all three dependent measures, and exclusion again mediated all of these effects. These results are available from the authors upon request.

about their negative outcomes (Grewal et al. 2004; Wagner et al. 2009). Locus of causality (LOC) refers to an individual's perception of where the responsibility for an event rests (i.e., internal to the individual or external) (Weiner 1992). In this research, an *internal* locus suggests that the non-recipient is responsible for his/her own negative outcome, whereas an *external* locus suggests responsibility lies with an outside entity (e.g., the firm). Firms can likely modify non-recipients' LOC (internal vs. external) by using explanations to control the amount and type of information made available to them (Wagner et al. 2009). The LOC that non-recipients infer from the explanation should affect their felt exclusion, and in turn, their attitudes and intentions.

In support of this proposition, prior research suggests that individuals tend to claim credit for positive outcomes, but deny responsibility and assign blame to others for negative outcomes (in the absence of information that suggests otherwise) (Clark and Isen 1982; Miller and Ross 1975). This self-serving bias should lead non-recipients to externally attribute their negative outcomes to the firm, and react negatively toward it in the absence of an explanation (Folkes 1988). Similarly, an explanation which suggests that the firm is (indeed) to blame for non-recipients' outcomes should do little to attenuate their belief that it is excluding them (e.g., the firm extended an offer only to senior citizens, making the non-recipient ineligible).

Prior research on relational devaluation suggests that firms must instead provide an explanation that effectively shifts responsibility for the outcome *away from the firm to the non-recipient* (e.g., informing non-recipients that they were not selected because they chose to not fulfill the firm's request to complete a survey) (Leary et al. 1998; Leary and McDonald 2003). Eliciting an internal LOC should improve non-recipients' attitudes and intentions relative to when a firm elicits an external LOC or does nothing at all—a result likely driven by the excluded party acknowledging responsibility for the promotional outcome (Leary et al. 1998; Wagner et al. 2009). More formally, we predict the following:

H7: Perceived locus of causality and perceived exclusion will sequentially mediate the effect of providing an explanation about a promotional outcome on non-recipients' promotion attitudes, promoter attitudes, and patronage intentions.

Providing an explanation that places the responsibility for the outcome on the non-recipient will have a favorable effect compared to providing (a) an explanation that places responsibility on the firm, or (b) no explanation at all.

However, providing an explanation that places responsibility on the firm will have no effect compared to providing (c) no explanation at all.

Design, participants, and procedure

The main purpose of Study 4 was to test H7. Thus, all respondents were designated as non-recipients and randomly assigned to one of three conditions: firm provides explanation with responsibility *internal* to non-recipient vs. firm provides explanation with responsibility *external* to non-recipient vs. firm does not provide an explanation at all (control). The 165 adult respondents for this online study were recruited through MTurk; 61% were female, the mean age was 34, and the median income was \$50,000–\$59,999.

The offer was extended by a clothing retailer and was very similar to that used in Studies 1a-1b (see Web Appendix A). After learning their promotional outcomes, respondents in the *internal* attribution condition were given a statement from the firm explaining that they did not receive the offer because only those who signed up for its email list were eligible, and they had failed to do so. Those in the *external* attribution condition were told by the firm that it decided to extend the offer only to new customers, and they did not qualify since they were not new customers. Those in the control did not receive an explanation (consistent with our prior studies).

The same measures from Studies 1a-2 were used again (see Web Appendix B). Perceived locus of causality was measured with "My promotional outcome was" (1 = caused by the retailer/ 7 = caused by me) and "My promotional outcome was due to" (1 = the retailer's behavior/7 = my behavior) ($r = .84$, $p < .0001$; modified from Wagner et al. 2009). As a manipulation check, respondents indicated whether the offer was given only to (1) customers who signed up for the retailer's email list, (2) new customers, or (3) they did not receive an explanation.

Results

Crosstab results revealed that 96% of respondents in each of the three conditions accurately recalled their assigned condition ($\chi^2 = 301.54$, $p < .0001$). This indicates a successful manipulation.

ANOVA results revealed a main effect of the explanation manipulation on perceived locus of causality ($F(2,162) = 25.10$; $p < .0001$). Contrasts show that non-recipients viewed the retailer (themselves) as more responsible for their outcomes in the external and internal conditions, respectively ($M = 2.89$ vs. $M = 4.94$; $p < .0001$). There was no difference between the external attribution and no explanation conditions ($M = 2.89$ vs. $M = 2.69$; $p = .57$). This suggests that non-recipients attribute their outcomes more strongly to the firm than to themselves in the absence of an explanation. These results reflect the pattern of mediation effects proposed in H7.

We next used PROCESS Model 6 with 5000 bootstrap samples and 95% bias-corrected CIs to test the serial mediation outlined in H7 (Hayes 2013). We dummy coded each condition of the multi-categorical explanation variable, and entered the dummy code that corresponded with the condition that was not used in a given analysis as a covariate (Hayes 2013; Hayes and Preacher 2014). We entered perceived locus of causality and perceived exclusion as the first and second serial mediators, respectively. As expected, comparisons of the *internal* attribution condition to the *external* attribution condition revealed a significant positive IE through the "explanation➔perceived locus of causality➔perceived exclusion➔promotion attitudes" serial mediation path (IE = .0521, CI [.0102, .1472]) (i.e., the CI did not contain zero; Hayes 2013). That is, an explanation which shifted the perceived responsibility to the customer indirectly led to more positive attitudes (compared to an explanation that attributed responsibility to the firm). Similar results emerged for promoter attitudes (IE = .0582, CI [.0101, .1482]) and patronage intent (IE = .0621, CI [.0094, .1769]). These results support H7a. Next, comparisons of the *internal* attribution and *no explanation* conditions revealed a significant positive IE of the internal attribution explanation through the same path on promotion attitudes (IE = .0572, CI [.0102, .1556]), promoter attitudes (IE = .0639, CI [.0108, .1591]), and patronage intent (IE = .0683, CI [.0106, .1882]). These results support H7b. Lastly, we assessed if the *external* attribution explanation minimized the negative effects of unfavorable outcomes relative to the *no explanation* control. As expected, it did *not* have a significant IE on promotion attitudes (IE = .0051, CI [−.0083, .0387]), promoter attitudes (IE = .0057, CI [−.0103, .0403]), or patronage intent (IE = .0061, CI [−.0106, .0485]). Thus, H7c is supported.

Discussion

Study 4 provided a controlled test of several types of explanations that firms can extend to non-recipients about their promotional outcomes. This approach reflects firms' autonomy regarding how transparent they want to be about their exclusive promotions (i.e., they can choose to provide an explanation or not). Our findings suggest that firms can attenuate non-recipients' feelings of exclusion (and, in turn, their negative attitudes and behavioral intentions) by explaining their promotional outcomes in a way that shifts responsibility away from the firm to the customer. However, an explanation that fails to elicit an internal locus of control likely provides little to no benefit beyond not extending an explanation at all.

We now build on this in our final study by assessing another strategy that additionally acknowledges the *non-contractual* nature of exclusive promotions. Recall that firms ultimately decide which customers can act upon exclusive offers (and under what conditions); thus, they can allow any non-recipient to retroactively qualify for a given offer by satisfying the qualification criteria outlined in his/her promotional outcome explanation. For example, a hotel can explain that a non-recipient did not qualify because he/she only stayed 9 of the required 10 nights last month. The hotel may then allow this customer to become eligible for the offer if he/she books a 10th night in the next week.[12] Extending this opportunity may further attenuate non-recipients' felt exclusion (and thus their negative responses), and simultaneously encourage them to engage in profitable behaviors dictated by the firm. We examine in Study 5 whether providing such self-correction opportunities has positive incremental effects beyond offering only the internal LOC explanation shown to be most effective in Study 4. We also assess if non-recipients' awareness of *who* initially received an offer (i.e., their social distance from recipients) impacts the efficacy of these self-correction opportunities. We outline our expectations below.

Study 5

Opportunities for self-correction and social distance from the recipient group

Exclusion can elicit a strong desire to regain one's sense of belonging, and prompt increased efforts toward restorative behaviors (Maner et al. 2007; Chester et al. 2016). Of particular relevance here, excluded individuals have been shown to make efforts to reconnect with the source of their exclusion (e.g., Chester et al. 2016; DeWall and Richman 2011). However, these restoration attempts and positive responses are only likely to emerge when social reconnection is a real possibility (Maner et al. 2007; DeWall and Richman 2011; Wan et al. 2016).[13] Giving non-recipients self-correction opportunities makes this reconnection possible. Therefore, based on the reviewed literature and our prior findings, we expect that offering a self-correction opportunity will restore non-recipients' feelings of inclusion. This should in turn lead to more positive responses toward the firm.

However, we expect these positive reactions to depend on non-recipients' social distance from the original recipient group. Social distance refers to the perceived similarity/distinctness between oneself and a social target, such that similar others are perceived as socially closer than dissimilar others (e.g., close friends vs. distant strangers) (Bar-Anan et al. 2006). In our context, social distance refers to how similar the original recipients are to the non-recipient (i.e., are they close friends of the non-recipient or distant strangers?) (Liviatan et al. 2008; Bar-Anan et al. 2006). Prior research shows that exclusion heightens group identities, leading excluded individuals to place increased value and importance on

[12] We refer to this "second chance" as the self-correction opportunity, and the criteria as the self-correcting behavior.

[13] In line with this research, the firm has not been a realistic source of reconnection for non-recipients to this point in our studies (i.e., the ability to self-correct was absent), so we observed the predicted negative behaviors toward it.

their existing relationships and in-groups (e.g., close friends) (Knowles and Gardner 2008). Relatedly, consumers often favorably evaluate brands and products that are identity-relevant (Bolton and Reed 2004; Reed 2004), and have been shown to make purchases that symbolize their group membership in response to exclusion (Mead et al. 2011).

Thus, the extent to which self-correction opportunities restore inclusion and result in more positive attitudes and intentions should depend on non-recipients' social distance from the recipient group. Specifically, this mediating effect should be relatively stronger when non-recipients more strongly identify with the recipients (i.e., when recipients are close friends vs. distant strangers). More formally, we hypothesize the following:

H8: Providing a self-correction opportunity will lead to (a) weaker feelings of exclusion, (b) higher intentions to perform the self-correcting behavior, (c) more positive promotion attitudes, (d) more positive promoter attitudes, and (e) higher patronage intentions compared to only providing an explanation.

H9: Perceived exclusion will mediate the effect of providing a self-correction opportunity on (a) intentions to perform the self-correcting behavior, (b) promotion attitudes, (c) promoter attitudes, and (d) patronage intentions. These positive indirect effects will be relatively more pronounced when non-recipients' social distance from the recipient group is proximal, rather than distal.

Design, participants, and procedure

The purpose of Study 5 was to test H8-H9. It utilized a 2 (self-correction opportunity: present vs. absent) × 2 (social distance from recipient group: proximal vs. distal) between-subjects design. We recruited 193 adult respondents from Mturk; 53% were female, the mean age was 35, and the median income was \$50,000 to \$59,999.

Consistent with Study 4, all respondents were again non-recipients. To manipulate social distance from the recipient group, respondents in the proximal (distal) condition were asked to imagine they were at a social event and overheard that some close friends (strangers) received an email from a local retailer inviting them to an exclusive promotional event (c.f., Bar-Anan et al. 2006). All respondents then evaluated the same promotion used in Study 4. After learning of their promotional outcomes, all respondents received the same explanation from the firm: Only customers who used the retailer's "buy online, pick up in-store" service five times or more last month were eligible, and they had not met this criterion. When the self-correction opportunity was *absent*, respondents saw only this explanation (consistent with Study 4). When the self-correction opportunity was *present*, respondents were additionally told after the explanation that they had used the "buy online, pick up in-store" service four times last month, and that the retailer would still extend the offer to them if they used the service once more in the next three days. All respondents then answered the dependent measures.

The same measures from Studies 1a-4 were used (see Web Appendix B). Drawing from our patronage intentions measure, we also assessed intent to perform the self-correcting behavior with "How likely are you to place an order online with this retailer and pick it up in-store within the next 3 days?" (1 = not at all likely/7 = very likely). The social distance manipulation was assessed with "I overheard that _ received the exclusive sales promotion" (1 = a few distant strangers/7 = a few close friends). Relatedly, we assessed recipient group identification with "To what extent do you identify with other consumers who received this exclusive promotion?" and "How much do you relate to other consumers who received this exclusive promotion?" (1 = not at all/7 = very strongly) (modified from Barone and Roy 2010b; $r = .87$, $p < .001$). The self-correction manipulation was assessed with "I was given the opportunity to attend the event by placing an online order and picking up in-store in the next 3 days" (1 = strongly disagree/7 = strongly agree).

Results

ANOVA results confirmed successful manipulations of the self-correction opportunity ($M_{present} = 6.66$ vs. $M_{absent} = 1.54$; $F(1,191) = 716.47$, $p < .0001$) and social distance ($M_{friends} = 5.23$ vs. $M_{strangers} = 2.55$; $F(1,191) = 106.11$, $p < .0001$). Also as expected, non-recipients identified more strongly with the recipient group when it consisted of friends rather than strangers ($M_{friends} = 4.86$ vs. $M_{strangers} = 2.97$; $F(1,191) = 225.85$, $p < .0001$).

Compared to those *not* given the self-correction opportunity, non-recipients who were given the opportunity expressed lower felt exclusion ($M = 4.49$ vs. $M = 5.93$; $F(1,189) = 44.11$, $p < .0001$), more positive promotion attitudes ($M = 3.65$ vs. $M = 2.92$; $F(1,189) = 8.83$, $p < .01$) and promoter attitudes ($M = 3.67$ vs. $M = 3.06$; $F(1,189) = 6.73$, $p = .01$), higher patronage intent ($M = 4.02$ vs. $M = 3.31$; $F(1,189) = 7.12$, $p < .001$), and higher intent to perform the self-correcting behavior ($M = 3.58$ vs. $M = 2.73$; $F(1,189) = 8.66$, $p < .001$).[14] Thus, H8 is fully supported.

Results also revealed significant self-correction opportunity × social distance interactions for perceived exclusion ($F(1,189) = 16.47$, $p < .0001$), promotion attitudes ($F(1,189) = 10.76$, $p < .001$), promoter attitudes ($F(1,189) = 16.30$, $p < .0001$), patronage intent ($F(1,189) = 4.14$, $p < .05$),

[14] Importantly, all respondents had the option to perform the self-correcting behavior, regardless of condition (i.e., they could all order online and pick up in-store in the next three days if they desired). However, doing so only made them eligible for the promotion when the opportunity to self-correct was present/given by the retailer.

and self-correcting intent ($F(1,189) = 12.63$, $p < .0001$). The plot of means for perceived exclusion is offered as an example in Fig. 3 (see Web Appendix F for all other plots). As shown in Fig. 3, providing the self-correction opportunity significantly reduced feelings of exclusion when the recipients were close friends ($M = 3.76$ vs. $M = 6.09$; $F(1,189) = 56.77$, $p < .0001$), and marginally reduced felt exclusion when recipients were distant strangers ($M = 5.22$ vs. $M = 5.78$; $F(1,189) = 3.37$, $p = .068$). Further, the opportunity more effectively reduced exclusion when the recipients were friends rather than strangers ($F(1,189) = 21.00$, $p < .0001$), while those *not* given the opportunity felt equally excluded regardless of social distance ($F(1,189) = 1.08$, $p = .30$). These results collectively suggest that the mediating effects of exclusion should be relatively stronger when the recipient group consists of friends rather than strangers.

To test the proposition above (and as outlined in H9), we used Hayes' (2013) PROCESS Model 8 with 5000 bootstrap samples and 95% bias-corrected CIs, and mean-centered the self-correction and social distance variables. The CIs surrounding the positive IEs of the self-correction opportunity on promotion attitudes did not contain zero when the recipients were strangers (IE = .36; CI [.0285, .7308]) or friends (IE = 1.51; CI [1.0059, 2.0679]). Similar results emerged for promoter attitudes ($IE_{strangers} = .37$, CI [.0330, .7260]; $IE_{friends} = 1.55$, CI [1.0751, 2.0529]), patronage intent ($IE_{strangers} = .33$, CI [.0217, .6771]; $IE_{friends} = 1.37$, CI [.8700, 1.9137]), and self-correcting intent ($IE_{strangers} = .30$, CI [.0263, .6276]; $IE_{friends} = 1.25$, CI [.7950, 1.7989]). Further, the index of moderated mediation (a comparison of the two IEs on a dependent measure) did not contain zero for promotion attitudes (IE = 1.14; CI [.5951, 1.7396]), promoter attitudes (IE = 1.17; CI [.6089, 1.7583]), patronage intent (IE = 1.04; CI [.5439, 1.6069]), or self-correcting intent (IE = .95; CI [.4823, 1.4903]). These results indicate that the self-correction opportunity had a significantly stronger positive impact (through exclusion) on all dependent measures when recipients were friends compared to strangers (Hayes 2013).[15] Thus, H9 is fully supported.

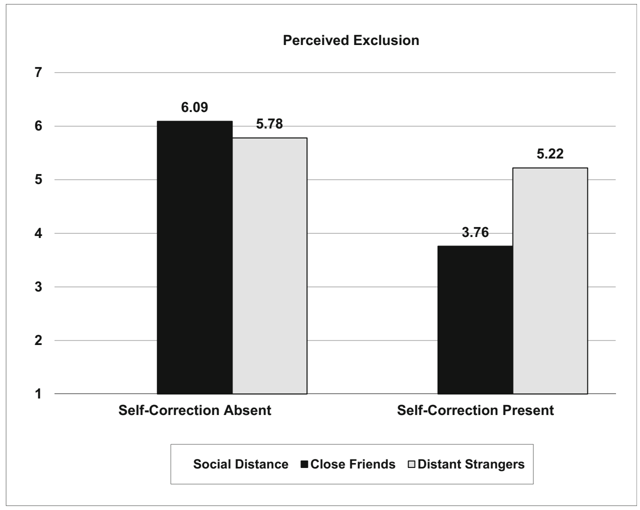

Fig. 3 Study 5 effects of self-correction opportunities and recipient group social distance. **Note:** Higher values indicate higher perceived exclusion

General discussion

Many firms have traditionally adhered to the philosophy that higher priority customers should be treated "better" than other (lower priority) customers. Exclusive promotions have emerged as an increasingly popular way for firms to provide such preferential treatment (see Table 2 for an overview). However, little is known about the efficacy of exclusive promotions in practice or in the extant literature (Barone and Roy 2010a, b). Further, most research on promotions and preferential treatment has only focused on the *positive* responses of *targeted* customers (i.e., recipients) (see Table 1 for key exceptions). Thus, we attempted to better understand how consumers react to exclusive promotions—particularly from the understudied perspective of *untargeted* customers (i.e., non-recipients) who may respond *negatively*.

We showed in Study 1a that non-recipients have negative attitudes toward exclusive promotions, as well as negative attitudes and lower patronage intentions toward firms that utilize them (reactions that we collectively refer to here as the "exclusion effect"). We also identified perceived exclusion as the mechanism underlying these responses. In Study 1b, we examined firm loyalty as a possible moderator to rule out the notion that the exclusion effect only emerges under conditions of high loyalty. We then enhanced the generalizability of our work in two field studies: Study 2 replicated the Study 1a findings in an offline setting that more closely reflected how consumers often exchange promotional information in the marketplace. Study 3 built on this by assessing consumers' purchasing behavior in response to a real exclusive offer from an established firm. Lastly, Studies 4 and 5 identified strategies that firms can use to mitigate non-recipients' felt exclusion, and thus, their negative responses (see Fig. 1 for an overview).

Theoretical contributions

To our knowledge, the present research represents the first effort to conceptually define exclusive promotions and to outline how they differ from other customer prioritization tools

[15] As in Study 1b, we again conducted supplementary tests of conditional simultaneous mediation in which exclusion and fairness could both account for the IEs reported in Study 5. Consistent with the Study 1b results, exclusion still served as a mediator for every dependent measure in both social distance conditions, regardless of the inclusion of fairness as a rival mediator. Thus, our Study 5 results and conclusions remain the same.

(i.e., highly targeted promotions and loyalty programs). In doing so, we addressed the expressed need to better understand how exclusivity effects operate (Barone and Roy 2010b). We also documented the negative impact of these unique promotions on *untargeted* customers, enabling us to document key cross-customer effects that broaden the extant literature on preferential treatment and promotions (c.f., Henderson et al. 2011).

Next, we used a social exclusion framework to further distinguish our research from most of the existing literature that has traditionally utilized other frameworks (e.g., equity theory) (Lee and Shrum 2012; Mead et al. 2011). Our findings demonstrate that exclusion is a critical psychological (non-financial) aspect of the exchange process that connects firms' use of exclusive promotions with critical customer outcomes (purchasing behavior, attitudes, patronage intent). We further demonstrated that the mediating role of exclusion persisted even in the presence of a rival mediator (fairness), thus adding confidence to our overall findings. This approach reflected the notion that consumer awareness of exclusionary practices is a pervasive social element that must be better accounted for (Jiang et al. 2013).

Finally, we identified multiple ways to attenuate the documented exclusion effect. We first showed that giving non-recipients an explanation about their outcomes reduces their feelings of exclusion and negative responses—but only when such an explanation elicits an internal locus of causality within the consumer. We then demonstrated that providing self-correction opportunities can mitigate the exclusion effect even further. This strategy acknowledges that exclusion is not always final with regard to consumers' promotional outcomes, and differentiates our work from most prior social exclusion research that only examined exclusion when reconnection was not possible (and thus only found negative effects) (Derfler-Rozin et al. 2010). We further showed this attenuation was more pronounced when non-recipients' social distance from the recipient group was proximal (rather than distal). This contributes to our limited knowledge of how social identification affects consumers' responses to promotions (Winterich and Barone 2011), and adds to the literature on compensatory consumption behavior following exclusion (Mead et al. 2011; Lee and Shrum 2012; Wan et al. 2014).

Implications for marketers

Despite firms' best efforts, the use of exclusive promotions may have unintended negative consequences. However, the flexibility of exclusive promotions allows firms to decide which customers to select for such promotions (and why). Firms can also choose how transparent they want to be about these decisions, which enables them to modify non-recipients' causal attributions about their promotional outcomes (Wagner et al. 2009). To this end, our results suggest that firms should select eligibility criteria for exclusive offers that consumers have some control over (e.g., spending amounts, purchase frequency). Doing so should lead non-recipients to internally attribute their outcomes to themselves (rather than externally to the firm), and ultimately lead to more positive responses toward the firm.

Allowing non-recipients to also retroactively qualify for an offer can further incrementally attenuate the exclusion effect. For example, firms often extend deadlines to give customers a "second chance" to perform a dictated behavior (e.g., making a purchase, renewing a contract) in order to receive a particular benefit. In online settings, firms often email discounts to shoppers who abandon their shopping carts to entice them to return to the website and complete their order. Firms can voluntarily extend such opportunities to select non-recipients (for any reason) due to the non-contractual nature of exclusive promotions. Notably, our findings suggest that firms can benefit from the mere *gesture* of providing such opportunities (regardless of whether non-recipients ultimately act on it). However, when non-recipients *do* act upon the opportunity, firms should reap additional, more immediate benefits from the self-correcting behavior, itself (e.g., gaining another sale). Satisfying this desired criteria also makes lower priority customers more valuable, thereby increasing the overall efficacy of firms' promotional and CRM strategies. More research that examines other types of self-correcting behaviors across different consumer segments is certainly warranted.

Relatedly, our findings also suggest that providing self-correction opportunities should be more effective when non-recipients highly identify with the recipient group. Thus, firms should consider targeting non-recipients that share characteristics with the original recipients (similar age, ethnicity, profession) (Liviatan et al. 2008; Barone and Roy 2010b). Firms may purposefully choose to make targeted non-recipients aware of these existing similarities in the explanations they provide (e.g., "We extended the offer to teachers who signed up for our email list"). Firms may also consider extending exclusive offers to recipient segments that have highly identifiable/recognizable traits (e.g., students, senior citizens, veterans).[16]

Limitations and future research

The current research has several limitations that offer potentially fruitful future research opportunities. First, we undertook a customer-centric approach and did not explicitly consider exclusive promotions from the firm's perspective. Since every firm's strategies and resources are different, each firm must consider whether, and to what extent, to manage non-

[16] Firms should arguably select recipients first and foremost based on metrics they deem most important. The potential for improving the efficacy of self-correction opportunities should be viewed as a secondary ("bonus") benefit that may or may not emerge based on firms' initial priorities and strategies.

recipients. Future research should examine factors that affect the profitability and feasibility of doing so (e.g., firm age, industry). More research that identifies *which* non-recipients to manage is also highly warranted, as not all non-recipients are worth the associated costs (Mende et al. 2015).

Next, we identified two managerial strategies that may attenuate the exclusion effect to an extent. However, we only examined one self-correcting behavior among a select group of non-recipients in an online setting. Field studies should assess the impact of different types of explanations and self-correction opportunities across different non-recipient segment, as well as other factors that may impact their efficacy (e.g., whether firms extend them proactively or reactively). Mitigating chronic exclusion may require alternative approaches. Consumer reactions to firms' attempts to be *non*-transparent about their promotions should also be assessed.

Next, our findings provide strong, consistent support for the notion that social exclusion is a primary driver of non-recipients' negative reactions to exclusive promotions. However, it is likely that exclusivity can evoke other emotions that can further incrementally explain these effects (beyond exclusion). Examining additional moderating influences provides opportunities to identify situations in which other mechanisms (e.g., fairness) may be more or less relevant. For example, we did not explicitly manipulate from whom non-recipients learned about exclusive promotions (e.g., the firm vs. media vs. other customers) or the manner in which they were told about their promotional outcomes (e.g., rejected vs. ignored vs. ostracized). Future research should assess if non-recipients' negative reactions vary according to these factors.

Also, while the student and female samples in Studies 2 and 3 reflected the primary target markets of the firms in those experiments, our use of such samples and fictional retailers/offers may limit the external validity of our findings. Larger, more diverse samples would be preferable in future research. Lastly, it should be noted that not all non-recipients will be aware that they did not receive an exclusive offer, and the extent to which their negative reactions emerge in the marketplace likely varies based on their awareness levels (though awareness will likely only increase as technological advancements make deal seeking and sharing easier). Overall, a variety of unexplored issues surround exclusive promotions that offer meaningful research opportunities.

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