Rich man, poor man:
Customers' reactions to how they are categorized on the floor of the store

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Categorization of customers in terms of market segmentation is a fundamental point of departure for marketing. Yet categorization of customers typically occurs also on a face-to-face basis when store employees and customers interact; in this situation, both parties are hardwired to allocate the counterpart to one or several cognitive categories. The main focus in the present study is on (a) the store employee's categorization of the customer and (b) the customer's reactions when the outcome of the categorization "leaks" so that the customer receives clues about how he or she is viewed in terms of category membership.

Segmentation theories have traditionally neglected the possibility that customers may react to how they become categorized by marketers, yet theory on social identity stresses that individuals are sensitive to how they are categorized by others. The literature on social identity acknowledges that others' categorizations of the individual can be either correct or incorrect, and that it is typically more positive for the individual to be correctly categorized by others (i.e., others' categories are consistent with one's self-categorization). More complexity, however, is added given that many social categories have a valenced charge (e.g., "Nobel Prize Laureate" is a more positive category than "overweight person"). This valenced aspect raises several questions regarding outcomes for the categorized person. For example, is it still positive to be correctly categorized if the category is negatively charged? And should we expect positive reactions from incorrect categorization, given that the category has a positive charge?

In the present study, “poor” and “rich” are the social categories in focus. Each of them has a valenced charge, and the poor-rich dimension is present in one way or another in several traditional segmentation variables (e.g., income). The specific purpose, then, is to examine customers’ reactions to face-to-face encounters with a store employee who leaks categorization information regarding the customer along a poor-rich dimension.

An experiment was carried out in which participants (*n* = 100) visiting a watch store were exposed to a store employee who leaked information suggesting that the participant had been categorized either as “poor” or “rich”. A role-play scenario approach was used, allowing for relatively subtle manipulations of category membership leakage. In addition, as a measured factor in the experiment, the participants were asked if they considered themselves to be “poor” or “rich” persons, thus allowing for a 2 X 2 between-subjects experimental design. The dependent variable was customer satisfaction.

The analysis showed that leakage of categorization information had an impact on customer satisfaction. More specifically, participants who were *socially downgraded* (i.e., they were incorrectly categorized as “poor” when they considered themselves as “rich”) reacted with a significantly lower level of satisfaction as opposed to participants who were correctly categorized as “rich”. At the same time, participants who were *socially upgraded* (i.e., they were categorized as “rich”, yet they considered themselves as “poor”) did not react with a higher level of satisfaction compared with the poor who were correctly categorized.

Given that customers are indeed sensitive to how they become categorized – in the sense that their satisfaction is affected by categorization outcomes – one main implication is that the retail employee should avoid activities signaling customers’ category membership if he or she has not made a careful (and correct) diagnosis of customers’ self-perceived category membership. The results also indicate that deliberate use of incorrect but flattering categories (i.e., socially upgrading) may not be rewarded with higher satisfaction.