

Wage Inequality and Firm Performance: Is Customer Satisfaction the Missing Link?

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Cite as:

Bamberger Boas, Wielgos Dominik (2021), Wage Inequality and Firm Performance: Is Customer Satisfaction the Missing Link?. *Proceedings of the European Marketing Academy*, 50th, (93926)

Paper from the 50th Annual EMAC Conference, Madrid, May 25-28, 2021



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Abstract

This article addresses the impact of wage inequality between top managers and their employees from a marketing perspective. Surprisingly, marketing scholars and practitioners largely neglected this pressing societal issue. We collect a cross-industry, multisource data set, including responses by top-level managers and objective data on wage inequality and firm performance from 106 B2B firms (Study 1). Also, we analyze longitudinal panel data covering 521 firm-year observations for B2C firms (Study 2). Results reveal that wage inequality harms customer satisfaction. Specifically, results show that this link is mediated by customer-directed opportunism and customer-oriented culture but not customer-directed effort. Moreover, the findings show that wage inequality hurts firm profitability through customer satisfaction. Whereas a positive direct effect of wage inequality on short-term profitability vanishes in the long run, the negative effect through customer satisfaction persists.

Keywords: *wage inequality; customer orientation; firm performance*

Track: Marketing Strategy & Theory