

# An Apology With a Tiny Monetary Compensation Is No More Effective Than a Verbal Apology Alone

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How can organizations effectively deliver apologies? Prior research has indicated that apologies accompanied by significant costs are generally perceived as more sincere than those without any associated costs. However, these studies have not explored the impact of minimal financial compensation when the transgressor can only afford a nominal amount. This issue is particularly relevant to organizational apologies, where it may be challenging for a company to provide a substantial amount of compensation to every affected customer or stakeholder. In this study, we thus examined the effectiveness of a verbal apology combined with a nominal financial compensation in organizational settings. Drawing upon previously documented social and evolutionary psychological findings, our preregistered study tested the hypothesis that individuals perceive verbal apologies with ‘trivial’ compensation as less sincere than verbal apologies without any compensation (i.e., the trivialization effect). Contrary to our expectations, we did not observe the trivialization effect; verbal apologies with a trivial amount of financial compensation were as effective as verbal apologies alone. These findings suggest that a verbal apology accompanied by a minimal financial compensation does not necessarily enhance or detract from the perceived sincerity or effectiveness of the apology.

## Keywords

costly apology, trivialization, sincerity, forgiveness, organizational apology

## Introduction

Recently, a large telecom company in Japan had network outage for several days, impacting over 30 million people.

The consequence of the network outage was enormous, affecting individual customers as well as various kinds of services such as parcel deliveries. Following the recovery of network, the company announced that they offer 200 yen (\$1.5) to each customer – an amount insufficient to even purchase a sandwich at a convenience store. During the approximately 60-hour data outage, numerous victims shared their difficult experiences on social media. If you experienced the data outage and received such a meager sum as compensation, how would you feel? Does a modicum of financial compensation for each victim help the company restore the relationship with them?

Prior psychological research on apologies provides valuable insights into this question. Individuals, intentionally or accidentally, often hurt others in diverse contexts. From damaging someone’s property and casting insinuations to insults and lying – such actions impact the quality of the relationship between the transgressor and the transgressed. Previous studies have found that, in response, apologies a) buffer the detrimental effect on interpersonal relations and b) amend and restore feelings of mutual respect, trust, and reciprocity (Desmet et al., 2010, 2011; Lewicki et al., 2016; Roschk & Gelbrich, 2013; Tomlinson et al., 2004). Especially in organizational contexts, delivering an apology to consumers and stakeholders is thought to be one of the most powerful ways to minimize the negative impact of organizational failures such as failed service and flawed goods (Gelbrich & Roschk, 2010, 2011; Roschk & Gelbrich, 2013).

Not all forms of apologies are equally effective in resolving relational conflicts and breaches; scholars have long investigated how individuals and organizations can deliver an effective apology (Desmet et al., 2010, 2011; Lewicki & Polin, 2012; Lewicki et al., 2016; Ohtsubo & Watanabe, 2009). One of the factors that influences the effectiveness of an apology is the perception of costs incurred to apologize (Desmet et al., 2010, 2011; Ohtsubo & Watanabe, 2009; Ohtsubo et al., 2012; Ohtsubo & Yagi, 2015; Watanabe & Ohtsubo, 2012). Drawing upon costly signaling theory (Zahavi & Zahavi, 1999), Ohtsubo and colleagues proposed a costly signaling model of apology; when a transgressor verbally apologizes, their intent can signal genuine remorse and willingness to restore interpersonal relations, or may be a mask to disarm and continue to exploit the transgressed. The theory holds that the transgressed, depending on the extent of cost incurred to apologize, can use this information to perceive apologies as genuine. Furthermore, Ohtsubo and collaborators demonstrated that costly (e.g., goods, effort, and time) verbal apologies are perceived to be more sincere than just verbal apologies alone, and this trend is observed cross-culturally (Ohtsubo et al., 2012) and in interpersonal (Ohtsubo & Watanabe, 2009; Watanabe & Ohtsubo, 2012) and organizational (Ohtsubo et al., 2020) contexts. In line with the costly signaling model of apology, Desmet and colleagues found that overcompensations were effective

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in restoring trust as long as it did not signal malicious intentions of the transgressor (Desmet et al., 2010, 2011).

There is an important premise for Ohtsubo's model of costly apology - namely, the cost of apology must outweigh the initial benefits reaped from the original transgression (Ohtsubo & Watanabe, 2009). However, in their theoretical scope, they do not consider the consequence of apologies that cost little to perform. In other words, it remains uncertain whether apologies that cost trivial would be less effective than apologies that cost none and whether such apologies can even backfire.

Individuals and organizations cannot always afford premium costs when they apologize for their wrongdoings; especially in certain organizational contexts whereby apologies must be aimed at mass-scale, for instance, a party may find themselves not able to maximize the cost of apology per victim or stakeholders. Consequently, it would be of vital importance to investigate the influence of trivial costs and disentangle whether individuals and companies would be better off providing what little costly compensation they could afford or just delivering a verbal apology alone. Drawing upon the costly signaling model of apology, it can be reasonably assumed that costs that do not clearly exceed the benefit that transgressors gained from their wrongdoing would be treated by the victims as a cover-up of their malicious intention of further exploitation. In this scenario, offering a tiny compensation may be no more effective than offering no compensations (Desmet et al., 2010, 2011). Moreover, apologies with a tiny compensation might appear to a victim that a transgressor attempts to buy them off and can rather signal dishonesty. In such cases, trivial compensations may even backfire and transgressors may be better off delivering verbal apology alone.

In addition, Liu et al. (2015) offer further insights into this issue. They revealed that when customers received verbal acknowledgements from a company, they felt that the company were more grateful than when the verbal acknowledgements were paired by a modicum of financial acknowledgement (i.e., a few cents of monetary rebates not enough to buy anything). What this demonstrates is the potential for a trivialization effect whereby, under a certain threshold, the incurred cost negates the intended intention and backfires. They further demonstrated that it was triggered by the joint evaluation of verbal and financial acknowledgments. More specifically, they have found that individuals average the separate evaluations of verbal and financial acknowledgments, and the negative evaluation of the latter damaged the overall evaluation and led to diminished gratitude. Their findings suggest that when customers receive verbal and financial messages, the overall evaluation is impaired if the latter was not perceived to be sufficient; apologies with trivial costs, therefore, may be worse than verbal apologies alone.

Based on the costly signaling model of apology and Liu et al. (2015), we anticipated observing a similar pattern in organizational apology contexts, and hypothesized that an apology with trivial cost would be perceived to be less sincere than that without cost; the tiny cost backfires. We conducted a study using three different hypothetical scenarios in which a company delivers apologies to their customers, and we manipulated degrees of financial compensation accompanying verbal apologies. Our focus

on organizational contexts and financial compensation is driven by the fact that organizational and corporate failures often harm numerous customers, making it challenging to provide substantial financial compensation to each affected individual. Therefore, our study aimed to offer practical implications, showing how companies should best mobilize their financial resources to communicate with customers in response to their failure. Moreover, we expanded our scope of the research to replicate the prior finding by Ohtsubo and colleagues that costly apologies (apologies accompanied by substantial costs) would be perceived to be more sincere than verbal apologies alone.

## Method

The present study followed a 3 (scenario: broken electric appliance vs. food poisoning vs. poorly built houses)  $\times$  3 (cost: zero vs. trivial vs. costly) mixed factorial design with the latter factor being a between-subjects factor. Yet, we were not interested in the effect of the scenario, and the present study analytically follows a 1  $\times$  3 (cost: zero vs. trivial vs. costly) between-subjects design. We conducted a priori power analysis based on an effect size obtained from a pilot study (<https://osf.io/dgtpc>). The analysis showed that 172 participants would be sufficient to detect a small-to-medium effect size of  $f^2 = 0.075$  with 90% statistical power (see our pre-registration for more detail). To account for data exclusion, we preregistered to recruit 250 participants in exchange for partial course credit. We advertised the study in a large student participant pool at a British university and obtained 257 completed responses from undergraduate students. After excluding participants based on the preregistered data exclusion criteria, we had 252 participants left for the subsequent analyses ( $M_{age} = 19.87$ ,  $SD = 4.88$ , 38 males, 210 females, 4 selecting other/prefer not to say). We preregistered the targeted sample size, hypotheses, and analytic strategies at <https://osf.io/q3d5r>. We have data, study material, and supplementary results available at <https://osf.io/7sk3d>.

After giving consent, participants took part in an online study and were first presented with three scenarios where a company apologized to their customers for their wrongdoing. In these scenarios, we manipulated a company's reaction. In the zero-cost condition, a company just delivered a verbal apology. In the trivial cost condition, a company apologized and offered \$0.01 for each customer who had been affected by their wrongdoing<sup>1</sup>. In the paper, we define trivial compensation as compensation whose amount is not sufficient to buy virtually anything. Finally, in the costly condition, a company apologized and offered substantial compensation and incurred costs to deal with the wrongdoing. Participants were randomly assigned to one of the three conditions and, thus, they read three different scenarios of the same reaction condition in a randomized order.

We used three scenarios used in previous studies

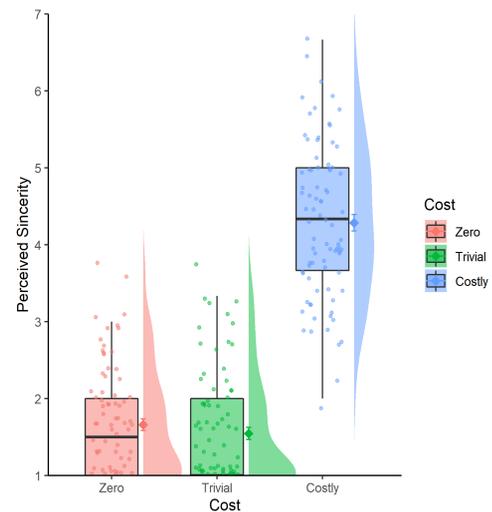
<sup>1</sup> We initially aimed to conduct the study in the US but we decided to collect the data in the UK. We crafted the study material for American participants and used \$. However, we did not change \$ to £ when we ran the study in the UK. Participants thus might have perceived the compensation as being somewhat imaginary (e.g., as lab dollars). Yet, since previous studies demonstrated that differences between real money and lab money did not influence economic decision making (e.g., Locey et al., 2011), we do not believe that this impacted our results in any meaningful ways.

(Ohtsubo et al., 2020). The broken appliance scenario, for instance, read, “There have been quite a few accidents where electric appliances produced by Company X caught fire.” For those in the zero-cost condition, the following sentence was further provided, “Company X apologized for the accidents whereby their products caught fire. Victims were not compensated.” For the trivial cost condition, we presented the following passage, “Company X apologized for the accidents whereby their products caught fire. They also offered \$0.01 for each customer who experienced the accident.” Lastly, for the costly condition, the additional sentence read as follows, “Company X apologized for the accident whereby their products caught fire. They also offered new appliances for each customer who experienced the accident.” In the food poisoning scenario, foreign objects were found in bread produced by a company. In the poorly built house scenario, a company sold poorly built houses that many of the walls would begin to crack after several years. See study material for details of the other two scenarios. After participants read each scenario, they were asked to answer three questions measuring how sincere they found the apology (How sincere do you find the apology by Company X?), how forgiving they were of the company (How forgiving are you of Company X?), and how trustworthy they found the company was (How trustworthy do you think Company X is?). They were all measured on a 7-point Likert scale.

## Results

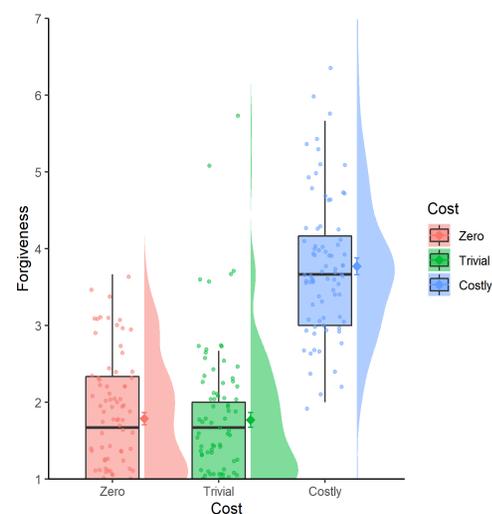
Following preregistration, we first dummy-coded the three conditions, using the zero-cost condition as a reference group: Dummy 1: zero vs. trivial; Dummy 2: zero vs. costly. More specifically, we assigned 0 to reference conditions and 1 to a comparison condition. The first dummy-coded variable served to test our hypothesis (i.e., the trivialization effect), and the second variable was used to replicate the findings that costly apologies were perceived to be more sincere than verbal apologies alone (Ohtsubo et al., 2020). We carried out planned contrasts on the three dependent variables: perceived sincerity, forgiveness, and perceived trustworthiness of the apology.

The planned contrasts on perceived sincerity revealed that people perceived the apology in the costly condition ( $M = 4.29$ ,  $SD = 0.99$ ) to be more sincere than that in the zero-cost condition ( $M = 1.66$ ,  $SD = 0.71$ ), replicating Ohtsubo et al. (2020),  $B = 2.63$ ,  $t(249) = 20.85$ ,  $p < .001$ . However, the comparison between the zero-cost and trivial ( $M = 1.55$ ,  $SD = 0.72$ ) conditions was not significant, not supporting our hypothesis,  $B = -0.11$ ,  $t(249) = -0.91$ ,  $p = .36$ . Similarly, participants were more forgiving of the company in the costly condition ( $M = 3.77$ ,  $SD = 0.99$ ) than in the zero-cost condition ( $M = 1.79$ ,  $SD = 0.74$ ),  $B = 1.99$ ,  $t(249) = 14.54$ ,  $p < .001$ . Yet, forgiveness did not significantly differ between the zero-cost and trivial condition ( $M = 1.77$ ,  $SD = 0.90$ ),  $B = -0.02$ ,  $t(249) = -0.02$ ,  $p = .90$ . Perceived trustworthiness followed the same pattern; it was higher in those in the costly condition ( $M = 3.44$ ,  $SD = 1.00$ ) than in the zero-cost condition ( $M = 1.71$ ,  $SD = 0.71$ ),  $B = 1.73$ ,  $t(249) = 13.16$ ,  $p < .001$ . Yet, the difference between the zero-cost and trivial cost ( $M = 1.68$ ,  $SD = 0.81$ ) conditions was not significant,  $B = -0.03$ ,  $t(249) = -0.24$ ,  $p = .81$ . See Figures 1–3 for visualization



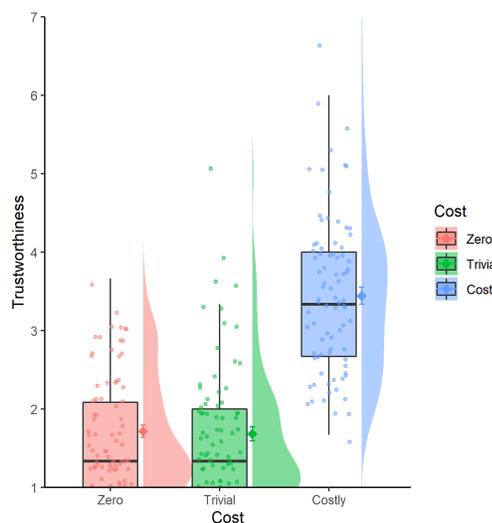
**Figure 1.** Descriptive statistics of perceived sincerity by condition

Note: Diamonds indicate means, and error bars represent standard errors.



**Figure 2.** Descriptive statistics of forgiveness by condition

Note: Diamonds indicate means, and error bars represent standard errors.



**Figure 3.** Descriptive statistics of trustworthiness by condition

Note: Diamonds indicate means, and error bars represent standard errors.

of the descriptive statistics of the dependent variables in each condition. As exploratory analyses, we tested the hypothesis in each scenario separately. The results were consistent with the main preregistered analyses reported above (see the supplementary results for more details).

## Discussion

Mistakes are inevitable for individuals and organizations to make, and delivering effective apologies is crucial in upholding social relations. While costs associated with apologies have been shown to enhance their effectiveness (Ohtsubo et al., 2020; Ohtsubo & Watanabe, 2009; Ohtsubo & Yagi, 2015), not all individuals or organizations are able to maximize the cost of apologies for each victim, particularly when they must extend apologies to a large number of affected parties. Organizational contexts are rife with such situations, making it crucial to understand whether a verbal apology accompanied by trivial compensation would be as effective as one with substantial compensation.

Drawing upon social and evolutionary psychological literatures, we hypothesized that trivial costs accompanying an apology would rather decrease the effectiveness of the apology. Our primary hypothesis was that an apology with trivial cost would be perceived as less sincere than a verbal apology alone, suggesting that offering a tiny compensation might backfire. Contrary to our hypotheses, we did not find evidence of the trivialization effect; trivial costs accompanying a verbal apology did not reduce perceived sincerity, forgiveness, or perceived trustworthiness. However, consistent with previous studies, we found that costly apologies were perceived as more sincere than mere verbal apologies, with substantial costs positively affecting forgiveness and perceived trustworthiness. In summary, our study indicates that trivial financial compensation does not enhance the perceived effectiveness of apologies. In other words, when companies must provide financial compensation to stakeholders, while offering more is generally better, providing less than nothing does not appear to positively impact the effectiveness of apologies.

In our study, participants evaluated apologies as third party observers after reading vignettes; we did not ask them to imagine being personally affected by the wrongdoing. Furthermore, in the trivial cost condition, we stated that the company offered \$0.01 for each customer but did not specify the overall expenditure. If a vast number of people were affected, even a seemingly insignificant amount per individual could cumulatively represent a substantial sum. As such, it can be reasonably expected that third-party observers may perceive apologies with trivial costs as costly apologies when taking into account the total expenditure. That being said, our results showed that the third-party evaluation of trivial apologies were no more positive than zero-cost apologies. This suggests that participants did not consider the potential total expenditure incurred by the wrongdoers in the scenarios. Manipulation to increase the awareness of the total cost may enhance the third-party evaluation of apologies whose cost-per-individual appears to be minute. Contrastingly, if people were to read the vignettes from a second-person perspective (i.e., as if they themselves

were affected), the cumulative cost might not influence their evaluation of the apology. They might even find the \$0.01 compensation offensive, potentially leading to a larger difference in apology evaluations between zero and trivial cost conditions. To gain a comprehensive understanding of how organizational apologies offering little money per individual but significant cumulative amounts are perceived by affected and unaffected parties, further studies employing orthogonal manipulations are warranted.

We would like to note, as a limitation, that the absence of the trivialization might be explained by the low perceived sincerity, forgiveness, and perceived trustworthiness in the zero-cost condition, and this floor effect did not allow us to effectively test the difference between the zero-cost and the trivial cost condition. Thus, it would be desirable to test the trivialization hypothesis with different dependent measures which potentially help us see more variabilities among responses on the lower end. In addition, we would like to note that our operationalized definition of trivial cost (\$0.01) was arbitrarily decided, and it would be sensible to elucidate the threshold at which people find costly compensation trivial. While the costly apology in our scenarios should appear trivial relatively to the costly apology, our data does not offer direct evidence that participants indeed perceived trivial apologies to be trivial.

Organizational apologies differ from interpersonal apologies in that they can be directed at a number of victims, which makes it challenging for transgressors to offer substantial financial compensation to each victim. Given the importance for organizations to minimize the negative impact of their wrongdoings and failures, it is imperative that we understand how they can best mobilize their financial resources to deliver an effective apology. We have offered preliminary evidence suggesting that trivial compensation for each victim does not increase the effectiveness of apologies—more is not always better than none. Yet, future studies should further elucidate how people evaluate such compensation and determine a threshold at which monetary compensation can enhance the sincerity of organizational apologies.

## Author contribution

CRedit (Contributor Roles Taxonomy) author statement: HI: Conceptualization, Methodology, Formal analysis, Investigation, Resources, Data curation, Writing – original draft, Visualization, Project administration. AY: Conceptualization, Methodology, Validation, Writing – review & editing. GT: Methodology, Validation, Investigation, Writing – review & editing.

## Ethical statement

The study was conducted in accordance with ethical standards for the treatment of human subjects, and we have obtained approval from the University of Kent Psychology Ethics Committee (Ethics Approval ID: Pilot Study: 202015828272886310; Main Study: 202116145877857092).

**Data accessibility & program code**

We have data, study material, and supplementary results available at <https://osf.io/7sk3d>.

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