The Principle Matters: Antecedents and Consequences of Procedural Justice in the Context of Pricing

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Much of the existing work on fairness in pricing focuses on elements of the purchase related to distributive justice, including reference prices and comparisons to other customers’ outcomes. The current paper builds on this work by examining the role of procedural justice in determining the fairness of purchases. Two experiments demonstrate that procedural justice is a distinct source of fairness that stems from the violation of prescriptive norms that dictate socially appropriate ways in which marketers should treat consumers. It is shown that violations of these norms lead to procedural injustice, lowering overall fairness even when consumers’ outcomes are unaffected.

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EXTENDED ABSTRACT

Fairness seems to matter to consumers a great deal. It is an important source of satisfaction with purchases (e.g. Darke and Dahl 2003; Oliver and Swan 1989) and consumers seem to react quite negatively to perceived unfairness (Kahneman, Knetsch and Thaler 1986). Within marketing, much of the research on fairness has focused on prices. Thaler (1985) first asserted that consumers derive utility from the fairness of a price (transaction utility) and argued this is judged by a comparison of the actual price to some reference price. Such reference prices appear to be influenced by a variety of factors including past prices, prices in comparable stores, perceptions of the cost of the product to the seller, etc. (e.g. Bolton, Warlop and Alba 2003). Recent work has broadened the perspective on price fairness to include judgments based on social comparisons between different customers’ inputs and outcomes (Darke and Dahl 2003; Xia, Monroe, and Cox 2004), consistent with equity theory (Adams 1965). Overall, the existing research on price fairness fits into the broad framework of distributive justice (Deutsch 1985), which assumes that judgments of fairness are based on the allocation of material outcomes.

The current investigation builds on this framework by examining the role of procedural justice in a pricing context. We propose and test a model that includes both procedural justice and existing theories of distributive justice as unique predictors of fairness. Across two experiments, we demonstrate that judgments of procedural justice are distinct from distributive justice by showing that they have different antecedents and independently predict overall judgments of fairness and satisfaction. It is shown that perceptions of procedural justice stem from the violation of implicit prescriptive norms that dictate socially appropriate ways in which marketers should treat consumers. In particular, we identify two different procedural norms, norms of consistency and openness, and show that violation of these norms leads to perceptions of procedural injustice, which lowers perceptions of general fairness.

Experiment 1 showed that procedural and distributive forms of justice were distinct sources of fairness in pricing, and that both were important predictors of purchase satisfaction. This was demonstrated by independently manipulating elements of a purchase situation that were predicted to affect procedural and distributive justice. Procedural justice was shown to stem from the violation of a norm of consistency. In contrast, distributive justice was manipulated by varying the perceived relevance of the inputs used to determine consumers’ outcomes, consistent with predictions from equity theory. As expected, both procedural and distributive justice contributed to general perceptions of fairness and satisfaction with the purchase.

In the experiment participants read a scenario that explained they bought a stereo for $199. However, they later discovered that another customer had purchased the same stereo for $159 because they qualified for a discount based on the stores’ pricing policy. Violation of the consistency norm was manipulated by having the salesperson ask whether the participant actually qualified for the discount in one case and not ask in another case. Importantly, participants never qualified for the discount anyway, meaning the violation was independent of their outcome. This was crossed with a second manipulation designed to influence perceptions of distributive justice according to equity theory. Two different pricing policies were used that specified different inputs that would entitle customers to the discount. The first policy entitled loyal customers to a discount. This input was chosen because it was predicted to be relevant to the outcome price (Darke and Dahl 2003; Huppertz, Arenson, and Evans 1978). The second pricing policy was designed to be considered less relevant, by granting a discount only to students of a particular university. As predicted, both the norm violation and relevance of the input had a significant impact on general perceptions of fairness and satisfaction. However, the effect of the norm violation was mediated by perceptions of procedural justice, whereas the effect of the pricing policy was mediated by perceptions of distributive justice.

Experiment 2 provided a conceptual replication of the first experiment using a different prescriptive norm. It was hypothesized that a norm of openness also exists in marketing interactions, which dictates sellers should provide consumers with the information that is relevant to their purchase. This norm was examined in the context of an upcoming sale, where the norm would dictate that sellers should inform customers that prices will shortly be reduced. In order to examine the influence of the violation of the norm independent of material outcomes we constructed a scenario where, in one instance, customers were unable to wait for the upcoming sale. This meant they could not obtain the sale price whether or not they were told about it. In this case, it was shown that violation of the openness norm reduced general perceptions of fairness and satisfaction because the violation lowered perceptions of procedural justice. In the other instance, customers were able to wait for the sale, which meant that violation of the openness norm also impacted their price outcome. In these circumstances, the violation reduced perceptions of fairness and satisfaction, but this was caused by reductions in both perceptions of distributive and procedural justice. Importantly, participants found out about the sale price whether or not the openness norm was violated, which meant that the reference price did not vary and therefore these differences could not be explained by differences in transaction utility.

Overall, these studies expand on our knowledge of the factors that contribute to perceptions of fairness and satisfaction in a pricing context. Consumers care about the principles that govern marketing interactions and not just the material aspects of the interaction. This suggests that marketers should observe certain prescriptive norms in their interactions with consumers, even when no material consequences are involved.