Multidimensional Price Comparison: the Moderating Role of ACRoss Consumers and ACRoss Firms Price Comparison on Perceived Fairness, Regret, and Satisfaction

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This study investigates the joint effects of across-consumers and across-firms price comparison on perceived fairness, regret, and consumer satisfaction. Findings from an experiment suggest that impact of price inequality across consumers on fairness was diminished when such price comparison was also across firms, while impact of price inequality across consumers on regret was magnified when such price comparison was also across firms. Evidences of loss aversion on perceived fairness and regret were also found. This study supports the idea that different dimensions of the reference price transaction space may interact with each other.

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participants who didn’t participate in the first pretest were asked to rate the extent of different feelings they wanted to experience the last time they went to a nightclub or a fine restaurant. Results show that participants wanted to experience more pleasure than pleasure at nightclubs, whereas they wanted to experience more pleasure than arousal at fine restaurants. Questionnaires with a screening question asking whether they had been to a nightclub or a fine restaurant in the last one month were given to undergraduate students in two U.S. universities. Consistent with the findings of Study 1, the results showed that pleasure had a direct effect on satisfaction in the pleasure-seeking hedonic service context. As hypothesized, arousal also had a direct effect on satisfaction in the arousal-seeking hedonic service context.

This research adds to the literature of consumer goal orientation and service consumption experience. It further examines consumers’ pleasure-seeking and arousal-seeking goal orientation in different hedonic service contexts. This research also shows how goal orientation determines the direct and indirect impact of affect (pleasure and arousal) on satisfaction. Based on the results of the two empirical studies, we can conclude that the affect that consumers pursue most will have a strong and direct impact on satisfaction; whereas, the impact of other desirable secondary affect on satisfaction will be mediated by perceived service quality.

References


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Extended Abstract

This study is part of a research project that examines the interaction of dimensions in a transaction space of reference price. Research on reference price can be aligned into a congruent perspective by using Bolton, Warlop, and Alba’s (2003) four dimensional transaction space, which postulates that consumers may consider the price of any point along the consumers (i.e., comparing between consumers), products (i.e., comparing cost and profit), firms (i.e., comparing between competitors), and/or time (comparing across time) dimensions in a four dimensional transaction space as a reference point. The results of such realignment exercise enlighten an insight, that sparse effort has been expended to investigate, and clearly separate, both independent and joint influence of multidimensional price comparison on consumer behavioral variables.

Of the four dimensions, the consumers and firms dimensions are particularly important because comparison across consumers is related to the concept of fairness and comparison across firms is related to the concept of regret. While both concepts influence consumer satisfaction, no study has investigated the joint influence of reference price across consumers and across firms on fairness and justice. This investigation not only contributes to both research on reference price and satisfaction but also links the two streams of research together. The relative importance of the two concepts on consumer satisfaction in different price comparison situations may be examined. An equally interesting issue is whether the amount of influence on fairness and regret depends on the direction of price discrepancy; that is, whether the impact is symmetry or asymmetric.

The purposes of this study are 1) to investigate the independent and joint effects of across consumers and across firms price comparison on perceived fairness, regret, and consumer satisfaction, and 2) to examine the presence/absence of asymmetric effect of price inequality on perceived fairness and regret in an experimental setting.

When consumers engage in price comparison, discrepancy in prices across consumers may lead to the issue of fairness (Feinberg, Krishna, and Zhang 2002). Larger price discrepancy across consumers decreases perception of fairness, leading to lower satisfaction (Bolton and Lemon 1999). Similarly, when consumers engage in price comparison, discrepancy in prices across firms may lead to the issue of regret (Inman, Dyer, and Jia 1997). Larger price discrepancy across firms increases perception of regret, leading to lower satisfaction (Taylor 1997). However, the joint impact of discrepancy in prices across consumers and across firms may not simply be additive for two reasons.

First, Kahneman, Knetsch, and Thaler’s (1986) principle of dual entitlement suggests that a price increase is perceived to be fair if the firm’s existing level of profit is the same. When discrepancy occurs across consumers, consumers may attribute the extra income the
company generates as extra profit, this attribution is more applicable when comparing within firm than across firms because the cost of offering the same product/service to different consumers should be very similar. Second, Tsiros and Mittal (2000) identified counterfactual thinking as the underlying cognitive mechanism that stimulates regret. Possibility of counterfactual thinking is reduced when price discrepancy is within firm than across firms.

Regarding asymmetric effect, the property of loss aversion in Kahneman and Tversky’s (1979) prospect theory implies that the impact of a loss is larger than the impact of a gain of equal magnitude. The influence of disadvantageous price discrepancy, which is coded as a “loss”, on consumer perception of fairness and regret is expected to be larger than advantageous price discrepancy, which is coded as a “gain”.

Previous studies have examined the impact of perceived fairness (Bolton and Lemon 1999) and regret (Tsiros and Mittal 2000) on satisfaction independently. This study examined their joint impact on satisfaction. It follows that:

H1: The impact of price inequality across consumers on fairness is diminished when such price comparison is also across firms.
H2: The impact of price inequality across consumers on regret is magnified when such price comparison is also across firms.
H3: The effect of disadvantageous price inequality on perceived fairness is larger than the effect of corresponding advantageous price inequality.
H4: The effect of disadvantageous price inequality on regret is larger than the effect of corresponding advantageous price inequality.
H5: Perceived fairness has a positive influence on satisfaction, and regret has a negative influence on satisfaction.

One hundred and thirty-six undergraduate students in Hong Kong participated in the experiment. The manipulation was scenario-based, in the context of choosing an internet service provider. Price equality (advantageous vs. disadvantageous vs. control) was manipulated to be across consumers and/or across firms. Existing scales for perceived fairness, regret, and satisfaction were adopted and measured. Manipulation checks and suspicion probe were measured. The manipulations were successful and all scale reliability was satisfactory with alpha above 0.80. Data analysis with ANOVA, regression, and SEM yielded converging results supporting all five hypotheses.

This study contributes to the reference price literature in four ways. Firstly, it extends Bolton and Lemon’s (1999) antecedents of payment equity by proposing that consumers not only use their own normative expectation but also another consumer’s outcome as reference points in judging fairness and satisfaction. Secondly, in response to Bolton et al.’s (2003) suggestion, this study investigated the influence of prices paid by other consumers on fairness perception. Thirdly, the findings of asymmetric price effect add support to the property of loss aversion in perceived fairness and regret. Fourthly, this study demonstrates that different dimensions of the transaction space can interact with each other. The significant interaction effect between across consumers and across firms price comparison suggests that simply looking at one dimension of the transaction space at a time may oversimplified the complexity of reference price research. Future reference price research is encouraged to examine other multidimensional interactions.

References

Impact on Online-store Loyalty from Store Image under Influences from Consumption Values
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Extended Abstract
Fast development of electronic technology and low entry barrier precipitated a heated competition in the online business (Auger and Gallaugher 1997; Klein 1998). More and more online shops are seeking new ways to stand out the competition to win over customers, loyal ones in particular.

Extant researches focusing on off-line business found store image a key contributor to business performance (Nevin and Houston 1980; Samli 1989; etc.). Online store also bears image which is able to create a competitive advantage that is not easily duplicated by other
retailers (Rosenbloom 1983). Store image is the complex of a consumer’s perceptions of the different attributes of the store, namely, general attribute, appearance and service (Manolis et al. 1994). Good store image may lead to store loyalty (Lessig 1973; Sirgy and Samli 1989).

People buy out of various incentives, thus paying attention to different aspects of the store image, which is universal in everyday life. Researches on consumption values suggest that the reason why consumers pay attention to different aspects of the product and make different choices is the seeking of different consumption values (Sheth et al. 1991). The five values identified by Sheth et al. (1991) are functional value, which derives from the perceived utility of the object in the choice situation; social value, attached to a product from its association with social groups; emotional value, which relates to the affective or emotional response to the product; epistemic value, obtaining to a product through curiosity, novelty or knowledge seeking; and conditional value, ascribed to an object through circumstance of use.

818 eligible finished questionnaires were collected online by a professional research company. Demographic indicators of these respondents are consistent with former studies of online-shoppers in China (Dong 2005; Cui 2004).

According to Sheth et al. (1991), although the basic five-dimension framework of consumption values is given, the items for the values should be designed based on specific condition, and each dimension may consist of more than one factor. The multi-dimensional value structure is proved in previous research (c.f., Long and Schiffman 2000; Pope 1998).

Following the guidelines suggested by Churchill (1979), we developed scales of consumption values on online-shopping. Each consumption value scale was independently factor analyzed using SPSS. Seven factors for the consumption values were identified, the uni-dimensional social value, epistemic value, and conditional value, along with two-dimensional functional value (functional and costs advantages) and emotional value (gratification and safety). Tests indicate a good reliability of all the seven values (Cronbach α>0.80).

Hierarchical cluster analysis using Ward’s method with Squared Euclidean distance, based on the seven factors, grouped the respondents into three, comprising of 230, 297 and 291 people respectively.

The results of ANOVA indicate that the three groups differ significantly in their evaluation about the consumption values (p<0.001). The second group has the lowest evaluation about all the consumption values except functional advantage and safety. In contrast, the third group exhibits the highest evaluation of all the other values, with the epistemic value lower than the first group. The first group has the highest values ranked between that for Group 2 and Group 3, as well as the highest epistemic value and lowest functional advantage and safety.

A model was constructed to examine the difference of the impact on store loyalty from the three dimensions of online-store image—general attribute, service and appearance, and the mediation of satisfaction and commitment in these three groups. We examined the model using AMOS in three groups separately. Statistical results of the path coefficients of all the three models indicate that, the impact from the three aspects of online store image on loyalty differ from one group to another. The mediation of satisfaction and commitment, and the impact of the two mediators on loyalty are also different among the groups.

Group 1 demonstrates the highest level of store loyalty through satisfaction, but the lowest level of transition from satisfaction to commitment, and from commitment to loyalty. Besides, consumers in Group 1 pay more attention to short-term oriented consumption values, like conditional and epistemic value. Those two features lead to the fact that people in Group 1 turn out to be undecided consumers, apt to switch from store to store. General attribute is the most important store image for Group 1. Enhancement in general attribute image, like better overall sales performance, higher reputation, may help maintain the undecided consumers in Group 1.

Group 2 has the lowest level of transition from satisfaction to loyalty. And only general attribute image has direct positive influence on their commitment. According to the path coefficients, they are least possibly to become loyal. Along with the lowest evaluation about the consumption values, they are termed as non-frequent buyers. Enhancing general attribute image is also important for encouraging more purchase from the non-frequent buyers.

For all the three groups, satisfaction and commitment towards online stores will lead to store loyalty, and satisfaction will be changed into commitment. However, path coefficients indicate that, consumers in Group 3 are the easiest to change from satisfaction into commitment. Also, they have the highest level of loyalty through commitment, and relatively high level of loyalty from satisfaction. This result, which is consistent with their high evaluation of the consumption values, indicates that Group 3 is composed of loyal customers.

In general, consumers in Group 3 are the most valuable to an online-store. For this group, service is the factor which has the greatest influence on loyalty. Taking their evaluation of consumption values into account, service differentiation can further satisfy those consumers. Customized service can meet the high appeal of the social value from this group.

Additionally, in all the three groups, general attribute image exhibits the highest contribution to loyalty, while appearance image shows the lowest, if any.

Citations
The Effects of Product Scandals on Parent Brands: Linguistic Signatures of a Protective Mechanism

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Extended Abstract

Brand architectures involving a parent brand can improve the perception of their associated brands and allow for a simple and cost saving introduction of new products (Smith, 1992). New or established product brands may benefit from associations with parent brands (Aaker & Keller, 1989; Sattler, Völkner, & Zatloukal, 2002). The opportunity of such positive transfer effects, however, comes at a price: The transfer is neither restricted to positive affect, nor is it unidirectional. There are also examples that negative evaluations of product brands can affect parent brands and other associated products. The empirical findings concerning such negative feedback, however, are not equivocal: While Sullivan (1990) found that technical problems with one model of Audi deteriorated the brand image and lowered sales of other Audi products, other researchers did not find negative feedback effects (Aaker, 1996, Loken & Roedder John, 1993, Keller & Aaker, 1992; Romeo, 1991). It seems that, under certain circumstances, parent brands are resistant to effects of negative evaluations of associated product brands. In the present study, we examined whether attribution processes that are specific to parent brands with a strong positive image may prevent strong parent brands from negative feedback effects.

Attribution research is concerned with the judgment of causes for a perceived event. For example, Heider (1958) examined whether the behavior of an individual and his or her individual dispositions are the primary cause of an outcome, or whether external, environmental influences are considered as a primary cause. While attribution research is predominant in research on person perception, there are also a few studies examining causal attribution in the domain of product failures and product-harm crises (e.g., Folkes, 1988; Siomkos & Kurzbard, 1994; Su & Tippins, 1998). Previous research focused on the effects of an incident’s severity (Su & Tippins, 1998) and the consumer’s personal vulnerability (Laufer & Gillespie, 2004). However, research on expectancy biases in person perception also suggests that the categorization of an actor and the associated expectations influence how causes for negative incidents are construed. For example, Maass, Salvi, Arcuri, and Semin (1998) found that individuals communicate undesirable behavior more abstractly when it was performed by an out-group member than when it was performed by an in-group member. A high level of abstraction can be regarded as a specific form of attribution pertaining the disposition of the actor or the respective group. In contrast, a low level of abstraction can be considered as a more situational attribution in which the undesirable behavior is perceived as caused by external, environmental factors, and is not generalized to the actors’ dispositions. The underlying mechanism is that expected behavior is construed and communicated in more abstract terms and considered as more intentional, while unexpected behavior is construed and communicated more concretely and is considered as less intentional (Fiedler, Blümke, Friese, & Hofmann, 2003). Since the behavior expected for the in-group is mostly positive while for the out-group expectations are often negative, this is a good explanation for the findings of Maas et al.

We assume that a similar mechanism moderates the responses to a product scandal or failure related to strong or weak parent brand. As strong parent brands we consider parent brands that are well established in the market and to which consumers hold strong positive views. In contrast, a weak parent brand should be less established in the market and consumers should not have strong attitudes towards these brands. Since strong positive attitudes are directly linked to positive expectations, a product scandal or product failures are not congruent to the expectations towards a strong parent brand. Therefore, we hypothesized that a product scandal that concerns failures of a product associated with a strong parent brand is construed and communicated by consumers in more concrete terms, and does affect the view of the brand to a minor degree than if the same scandal pertains a product of a weak parent brand.

To test our assumptions, participants received information about a scandal associated with a new product of either a strong or weak parent brand. The product was a soft drink and the scandal was that the product did not contain what the consumers expected. The information about the scandal contained a pictograph and two short essays. The information was sparse and allowed for a variety of interpretations about the causation. The pictograph indicated discordance between what the manufacturer was bottling and what the consumer thought he was drinking, but did not provide any clues on how this had happened and whose fault it was. The essays looked like editorial content of some marketing periodical. They described how the respective company prepared the launch of a new brand in several countries. The product behind the new brand was described, the very competitive market was mentioned, and a vague schedule...