Price Comparisons As Information About Personal Competence and Relational Value: the Influence on Perceived Fairness

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As companies increasingly adopt dynamic pricing policies, it is not uncommon for consumers to pay different prices for the same product. Fairness research indicates that not all of these price discrepancies are equally unfair. We argue that one of the reasons that certain price discrepancies may be considered particularly unfair is because they threaten important aspects of consumers’ self-concept. Specifically, to the extent that a price inequity conveys threatening information about consumers’ competence and/or relational value, we expect the consumer to perceive the situation as more unfair. We find support for the exacerbating effects of both threats to personal competence and threats to relational value on perceived (un)fairness.

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It is not uncommon for consumers to pay different prices for the same product (Elmaghraby and Keskinocak 2003). Fairness research, however, indicates that not all of these price discrepancies are equally unfair. Work based on equity theory finds that price unfairness is affected by consumers’ perceptions of their inputs (Darke and Dahl 2003). Other research shows that fairness is affected by perceptions of the firms’ role in causing the unfairness (e.g., motive, intent, responsibility) (Campbell 1999; Vaidyanathan and Aggarwal 2003). Largely absent, however, is consideration of the self-threatening nature of unfair treatment. We suggest that one reason why unfavorable price discrepancies are considered so unfair is because they can threaten aspects of consumers’ self-concept. We examine the role of two types of self-threat that we think are important in (un)fairness judgments: threats to personal competence and threats to relational value.

People want to be seen as competent and valued (Jones and Pittman 1982). Such characteristics are important to individuals’ self-concepts, and are often treated as components of self-esteem (Heatherton and Polivy 1991). Some have even argued that being valued by others is the function of self-esteem (Leary et al. 1995). We suggest that, in some cases, paying more than someone else for the same product threatens one or both of these components of self-concept. To the extent that a price inequity conveys threatening information about consumers’ competence and/or relational value, we expect consumers to perceive the situation as more unfair. We examine the influence of these self-threats on fairness judgments in Study 1. In Study 2, we focus more specifically on the different sources of threats to relational value and their influence on fairness judgments.

Unfair treatment is often facilitated by consumers’ credulity or naivety. We argue that these situations are likely to be particularly threatening because they undermine consumers’ perceptions of personal competence. We test whether threats to personal competence influence consumer reactions to price discrepancies by varying the extent to which consumers had a choice in the purchase. When consumers have little choice, price discrepancies should have fewer implications for their competence, and therefore, we argue, be perceived as less unfair.

Price inequities can be threatening for other reasons as well. Specifically, they may suggest that the consumer is not valued by their relational partners. In Study 1, we look at situations where the threat to relational value stems from what it implies about the consumer’s relationship with the firm. We expect price inequities to be threatening to the extent that they communicate to the consumer that the firm does not value them. We expect price inequities to communicate this information when the firm is perceived to have deliberately charged the consumer the higher price. When the firm is not held responsible for the discrepancy, implications for the firm’s opinion of the consumer should be reduced, and therefore have a diminished impact on fairness.

STUDY 1

Study 1 consisted of a 2 (Deliberate: yes, no) x 2(Choice: yes, no) experiment. In the Deliberate conditions, we manipulated whether the other consumer’s lower price was the result of a deliberate action taken by the seller. In the Choice conditions we varied whether the consumer had a choice in whether to engage in the exchange.

Primary analysis revealed a main effect of Deliberate on perceived fairness and perceived relational value (Fs(1,112)=40.72 and 54.48, ps<.001 and <.001). Consumers perceived the situation as significantly more unfair and felt less valued when the seller’s actions were deliberate (Ms=2.78 vs. 4.51 and Ms=3.81 vs. 5.46: note that in the lower numbers indicate more unfair and less valued). A Sobel test of the indirect path from deliberate to fairness via perceived relational value was significant (z = 4.32, p < .001), consistent with mediation.

The ANOVA also showed the predicted two-way interaction (F (1, 112) =3.84, p=0.05). Follow-up analyses showed that in the Deliberate condition, consumers perceived the situation as significantly less unfair and felt less incompetent when they had no choice in whether to engage in the exchange (Ms=3.39 vs. 2.15 and Ms=3.71 vs. 3.02, Fs(1,112)=9.84 and 6.55 and ps <.01 and <.05). The results of a Sobel test of the indirect path from Choice to fairness via perceived competence supported the prediction that threats to personal competence exacerbate perceived unfairness (z = 2.21, p < .05).

STUDY 2

Study 1 focuses on threats to relational value that stem from what the price inequity implies about the consumer’s standing with the firm. Price inequities, however, may threaten the consumer’s perceived relational value with regards to other relationships as well, such as friendships. The purpose of Study 2 was to investigate the influence of these threats. We predicted that threats to one’s relational value in relationships external to the consumer-seller relationship would exacerbate unfairness perceptions only when the other consumer’s lower price was not attributable to a mistake made by the seller.

To test these ideas we ran a 2 (Mistake: yes, no) x 2(Seller Selection: Friend, Target Consumer) experiment. Participants read that they paid $30 more than another consumer for the same product at a different online retailer. In the Mistake conditions, we varied whether the other consumer’s lower price the result of a mistake made by he seller or not. For Seller Selection, we varied whether the consumer selected the online retailer or whether it was recommended by a friend. We predicted that when the price inequity was not the result of a mistake, participants would perceive the situation as particularly unfair when the seller was recommended by a friend. Here, the risk that the consumer’s friend may knowingly have led the consumer to overpay may be taken by the consumer as evidence that their friend does not value their relationship. We expect this threat to relational value to exacerbate perceived unfairness.

Consistent with Study 1, an ANOVA revealed a main effect of Mistake on perceived fairness and perceived relational value (Fs(1,67)=8.82 and 9.58, ps<.01 an d <.01). Consumers perceived the situation as significantly more unfair and felt less valued when the seller’s actions were not a mistake (Ms=4.19 vs. 5.14 and Ms=3.67 vs. 4.26). A Sobel test of the indirect path from mistake to fairness via perceived relational value supported the predicted mediation (z = 2.67, p < .01).
Follow-up analyses showed that in the Mistake condition, consumers perceived the situation as significantly more unfair and felt less valued when the seller was recommended by their friend rather than self-selected (Ms=3.69 vs. 4.69 and Ms=3.36 vs. 3.97, Fs(1,67)=4.88 and 4.93 and ps <.01 and <.05). A Sobel test of the indirect path from Seller Selection to fairness supported the predicted mediation of perceived relational value ($z = 2.04, p < .05$). The results suggest that, in certain cases, external threats to relational value (i.e., those based on relationships other than the consumer’s relationship with the firm) may also exacerbate perceived unfairness.

**DISCUSSION**

Given the negative consequences of perceived unfairness, it is important to understand why price discrepancies across consumers vary in the extent to which they are deemed unfair. This research suggests price inequities are perceived as unfair to the extent that they threaten important aspects of the self. Importantly, we identify two different self-threats, threats to personal competence and threats to relational value, that exacerbate perceived unfairness.

**REFERENCES**


