The Role of Interpersonal Attachment Anxiety and Security on Consumer Responses to Customized Pricing

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Technological advances have enabled marketers to offer customized prices based upon unique purchase patterns of individual consumers. Across three studies, we show that customized prices enhance customer satisfaction but, among some consumers, are perceived as unfair and reduce satisfaction. Interpersonal attachment style is a key factor underlying these differential effects.

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Consumer Perceptions of Unfairness and Greed

Chairs: Margaret C. Campbell, University of Colorado at Boulder, USA
Erin Percival Carter, University of Colorado at Boulder

Paper #1: Firm Power, Power Distance Belief, and Consumer
Price Fairness Perceptions
Zhi Lu, The Pennsylvania State University, USA
Lisa E. Bolton, The Pennsylvania State University, USA
Sharon Ng, Nanyang Technological University, Singapore
Haipeng (Allan) Chen, Texas A&M University, USA

Paper #2: No Harm, No Foul: The Role of Inferred Harm in
Perceptions of Price Fairness Under Price Maintenance
Margaret C. Campbell, University of Colorado at Boulder, USA
Erin Percival Carter, University of Colorado at Boulder, USA

Paper #3: The Role of Interpersonal Attachment Anxiety and
Security on Consumer Responses to Customized Pricing
Meredith E. David, Baylor University, USA
William O. Bearden, University of South Carolina, USA
Kelly L. Haws, Vanderbilt University, USA

Paper #4: Perception of Environmentally-Friendly Efforts as
Green or Greed
Aradhna Krishna, University of Michigan, USA
Brent McFerran, University of Michigan, USA
Wenbo Wang, Hong Kong University of Science and
Technology, Hong Kong

SESSION OVERVIEW

Price and image: two critical marketing issues. This session
presents four papers that each address important questions about how
aspects of prices influence consumers’ perceptions of the price setter.
Prices serve as an important signal in the market, allowing consum-
ers to make inferences about the appropriateness of firms’ actions
and motives. The objective of this session is to provide conceptual
and empirical evidence of several interesting factors that influence
inferences consumers make. In this session, we investigate consumer
inferences related to price information, specifically examining nega-
tive inferences of firm unfairness and greed.

The first two papers both suggest more nuanced conceptualiza-
tions of the principal of dual entitlement for price unfairness (Kahn-
man, Knetisch & Thaler 1986a,b). Lu and colleagues provide evi-
dence that a consumer’s response to a price increase is influenced by
firm power and by the consumer’s power distance belief. These fac-
tors influence the extent to which a price increase leads the consumer
to infer that the firm is attempting to take advantage of consumers.

In the second paper, Campbell and Carter start by examining
price maintenance following a cost decrease. They show that con-
sumers’ perception of the fairness of price maintenance is influenced
by perceived impact on consumer welfare. When a consumer per-
ceives that product affordability is important to consumer welfare,
price maintenance can be perceived as unfair. They further show,
however, that the concern for consumer welfare is tempered by con-
cern for firm reference profit. A price that is inferred to harm con-
sumers is perceived as unfair unless it is necessary to maintain the firm’s
profit. They extend these findings to disadvantageous differential
pricing.

In the third paper, David, Bearden, and Haws ask how con-
sumers are likely to respond to customized prices and when such
prices may lead to perceptions of unfairness. Three studies provide
evidence that a consumer’s attachment style moderates the impact of
customized prices on perceptions of fairness and thus, satisfaction.

Anxiously-attached consumers perceive customized prices (as com-
pared to non-customized or group-level prices) as unfair, even when
they themselves are advantaged by the customized offer.

The fourth paper extends beyond perceptions of unfairness to
perceptions of greed. Krishna, McFerran and Wan examine whether
a firm’s price image influences the interpretation of a firm action.
Both lab and field experiments demonstrate that a firm that typically
charges low (versus high) prices is more likely to be perceived to
have negative motives for the same activity; specifically low price
firms are more likely to be seen as motivated by “greed” than a desire
to be “green.” Interestingly, a firm with an image for charging high
prices appears to be buffered against inferences of negative motives,
and thus, perceptions of greed.

Greater understanding of factors leading to negative firm per-
ceptions is of great practical and theoretical importance. We know
from past research that such perceptions can negatively impact firm
success. Each paper in this session asks how and when price actions
lead to negative consumer inferences and thus, perceptions of unfair-
ness and greed.

Firm Power, Power Distance Belief, and Consumer Price
Fairness Perceptions

EXTENDED ABSTRACT

How do consumers assess fairness of a price increase? Pioneering
work on the principle of dual entitlement (Kahneman, Knetisch,
and Thaler 1986a,b) proposes that fairness perceptions are governed
by i) a firm’s entitlement to a reference profit and ii) consumers’ en-
titlement to a reference price. Accordingly, consumers judge it fair
for a firm to raise its price when justified by a reason such as cost
increase (because firms are entitled to a reference profit) but unfair
to take advantage of demand (because consumers are entitled to a
reference price).

A natural question arises regarding the impact of firm power on
consumer price fairness perceptions. Previous research has examined
various factors that influence price fairness (Bolton, Warlop, and Alba
2003; Haws and Bearden 2006). Likewise, research has examined
various ways in which consumer power influences behavior (Rucker,
Galinisky, and Dubois 2012). Notably, price fairness varies by power
when consumers respond to self versus other price comparisons (Jin,
He, and Zhang 2014). To our knowledge, however, research has not
investigated the impact of firm power on price fairness.

Kahneman et al. (1986a) demonstrated that consumers judge it
unfair for firms to exploit monopoly power. If so, then consumers
may respond negatively to higher-power firms, regardless of pricing
behavior. However, we propose a more nuanced response whereby
consumers are especially sensitive to firm power when firms provide
justifications for price increases. Because power confers more
resources and alternatives (Galinsky et al. 2008), consumers will be
less accepting of a higher power firm’s justification for a price in-
crease. The high-power firm will be seen as exploiting consumers
whereas the low-power firm will be seen as more entitled to the price
increase. In contrast, unjustified price increases will make exploita-
tion and lack of entitlement salient regardless of firm power.

Hypothesis 1. With a justification, price increases will be
judged less fair for high-power versus low-power firms.
er firms. When unjustified, price increases will be judged unfair regardless of firm power.

Hypothesis 3 Perceived exploitation and entitlement will play a mediating role.

Our research also explores cultural differences in price fairness perceptions. Prior research has examined the role of independence/interdependence in across-customer price comparisons (Bolton, Keh, and Alba 2010). Our research focuses on power distance belief (PDB): people with high PDB tend to accept and expect power disparity more so than people with low PDB (Hofstede 2001). We propose that PDB will moderate the impact of power; that is, consumers with higher PDB will be more sensitive to power differences and therefore more likely to respond differentially to pricing behaviors as a function of firm power.

Hypothesis 3 The impact of firm power on price fairness perceptions (i.e., $H_p$) will be more likely to emerge for high- (vs. low-) PDB consumers.

A series of studies investigate how consumers respond to price increases as a function of firm power and PDB. Studies 1-2 investigate firm power and include both un/justified price increases; studies 3-4 focus on cost justifications and assess PDB. To briefly summarize:

- Study 1 was a 3 (firm power: high, low, unspecified) x 2 (justification: cost, demand) design. The scenario was adapted from Kahneman et al. (1986a, p.729) and described a store raising the price of shovels due to a snowstorm (demand) versus wholesale costs (cost). Power was manipulated (“large major national hardware chain” vs. “small independent hardware store” vs. “hardware store”). Participants rated fairness (seven-point scales anchored by “unfair/fair,” “not at all just/just,” and “unreasonable/reasonable”). ANOVA of fairness revealed a main effect of justification ($F(1, 256)=10.21, p < .01$), qualified by its interaction with firm power ($F(2, 256)=2.93, p=.06$); firm power was n.s. ($p>.10$). Raising prices due to costs was judged more fair when firm power was low/unspecified than when firm power was high ($F_{high vs. low}(1,256)=4.04, p<.05$; $F_{high vs. unspecified}(1,256)=4.68, p<.05$). In contrast, raising prices due to demand was judged equally unfair regardless of firm power ($F<1$). These results support $H_1$.

- Study 2 was a 2 (firm power: low, high) x 2 (justification: donation, keep profit) between-subjects design. For generalizability, we examine a different scenario from Kahneman et al. (1986a, p735) that describes a firm holding a toy auction, justified (or not) by donating the profits to charity. Power was manipulated similar to study 1; fairness was measured as in study 1. Participants also rated perceptions of exploitation and entitlement (respective sample items: “The store is... taking advantage of customers”, “...free to price as it wishes”). ANOVA of fairness revealed a main effect of justification ($F(1,199)=79.65, p<.01$), qualified by its interaction with firm power ($F(1,199)=3.47, p=.06$); firm power was n.s. ($p>.10$). Pricing was judged more fair with a donation justification for low vs. high power firms ($F(1,199)=3.52, p=.06$); fairness did not differ in the absence of this justification ($F<1$). Bootstrapping analyses (omitted for brevity’s sake) support mediation by perceived exploitation and entitlement. These results support $H_1$.

- Study 3 was a 2 (firm power: high, low) x 2 (PDB Prime: high, low) between-subjects design. After PDB priming (Zhang et al. 2010), participants read a scenario describing a cost-justified price increase by a high- vs. low-power firm (adapted from study 1). Fairness and exploitation/entitlement perceptions were measured as in study 2. ANOVA of fairness revealed an interaction of PDB and firm power ($F(1,79)=7.50, p<.01$); main effects were n.s. (F’s $<1$). When primed with high PDB, participants rated the price increase more fair for a low- vs. high-power firm ($t=2.30, p<.05$); fairness did not differ for low PDB ($t=1.54, p>.10$). These results (including mediation) support $H_3$ and $H_4$.

- Study 4 replicated study 3 with measured rather than manipulated PDB.

Four studies provide converging evidence that consumers respond differentially to price increases as a function of firm power and power distance belief, driven by perceptions of exploitation and entitlement. These findings provide novel insight into the role of firm power in the marketplace and have important implications for firms’ pricing strategy. High-power firms must exercise caution when justifying price increases, especially in high PDB settings.

**No Harm, No Foul: The Role of Inferred Harm in Perceptions of Price Fairness Under Price Maintenance**

**EXTENDED ABSTRACT**

Much research on price fairness draws on the principle of dual entitlement and its implication that a violation of a reference price is needed for perceptions of price unfairness (Kahneman, Knetsh, and Thaler 1986a,b; KKT), and thus typically examines prices that are higher than an available reference price (e.g., Campbell 1999). However, consumers can perceive prices as unfair that are not higher than a specific reference price. For example, sometimes consumers perceive the price of pharmaceuticals to be “unfair” even though the price has not increased nor has a competitive product been offered at a lower price.

We propose that consumers’ perceptions of price fairness are additionally influenced by concern for consumer welfare. Drawing on moral psychology, we propose that consumers are concerned about whether a lack of product affordability causes consumer harm. We examine whether inferences of consumer harm moderate the earlier finding that price maintenance following a cost decrease will be perceived as fair (e.g., KKT 1986b). We expect that the type of product, namely, the extent to which it is perceived as a necessity, will moderate perceptions of fairness of price maintenance after a cost decrease ($H_1$; Study 1). We further propose that the level of consumer vulnerability moderates perceptions of the fairness of price maintenance ($H_2$; Study 2).

While we propose that inferences of a negative impact on consumer welfare influence consumer perceptions of price fairness, the principle that a firm is allowed to protect itself from harm likewise holds. Thus, we expect that while the perceived fairness of a firm’s decision to maintain a price after a cost decrease will be moderated by consumer price vulnerability, a firm’s decision to increase a price after a cost increase will not be ($H_3$; Study 3). Fairness does not require that a firm decrease its profits in order to improve the welfare of vulnerable consumers.

Lastly, we extend beyond examination of a firm’s decision to maintain a price after a cost decrease. We propose that concern with consumer welfare is sufficiently important as to apply in situations in which a consumer evaluates being charged a higher price than another consumer. We propose that the extent to which a consumer infers that another consumer will be harmed by not receiving the lower price moderates the perceived fairness of a price discount for another consumer ($H_4$; Study 4).
The Role of Interpersonal Attachment Anxiety and Security on Consumer Responses to Customized Pricing

EXTENDED ABSTRACT

Advances in technology have enabled marketers to offer individual-level customized prices based upon the unique purchase patterns of consumers (Wang and Krishna 2012; Zhang and Wedel 2009). However, little is known about factors that influence consumers’ evaluations of customized prices in terms of consumers’ satisfaction and perceptions of fairness (Barone and Roy 2010). The present research focuses on how interpersonal attachment styles (Bowlby 1969) impact consumers’ responses to customized pricing tactics, including perceptions of fairness.

In customized pricing, a consumer’s purchase history is used to offer them an individualized discount, thus putting the consumer in an advantaged position and leaving other consumers in a less desirable position (Xia and Monroe 2010). In this regard, customized prices are similar to interpersonal relationships, in which individuals can be favored or not favored (Argo and Main 2008; Barone and Roy 2010). Thus, from an attachment theory (Bowlby 1969) perspective, consumers’ evaluations of customized prices may depend on their attachment style.

Attachment theory explains that people, innately motivated to form social bonds, develop interpersonal attachment styles based on early experiences with caregivers, and these attachment styles, or psychological orientations, impact individuals’ behavior throughout their lives (Ainsworth et al. 1978). Anxious attachment styles are held by individuals who have a strong need for closeness and are preoccupied with attachment, while also worrying about relationships and fearing rejection (Mikulincer and Nachson 1991). Since anxiously attached individuals are highly sensitive to interpersonal factors and have negative expectations regarding interpersonal situations (Cassidy and Kobak 1998; Ein-Dor et al. 2011), they likely perceive customized discounts as unfair. Similarly, they are likely to be less satisfied with an advantaged price that is based on customization rather than on programs that apply to broad groups of consumers (e.g., cardholder membership programs).

Secure attachment styles are held by individuals who, based on being cared for in a responsive manner, expect that others will be available when needed (Ainsworth et al. 1978). Therefore, securely attached individuals are less likely to be concerned about interpersonal factors and have positive expectations regarding interpersonal situations (Li et al. 2010). In this regard, customized prices are similar to interpersonal relationships, in which individuals can be favored or not favored (Argo and Main 2008; Barone and Roy 2010). Thus, from an attachment theory (Bowlby 1969) perspective, consumers’ responses to customized pricing tactics may depend on their attachment style.

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and Bearden 2006). The results indicated that secure consumers are more satisfied receiving a customized price that is lower than the price paid by other customers, but anxiously attached consumers are just as satisfied receiving a customized price that is the same as versus lower than the customized price offered to others. Similarly, securely attached individuals were more satisfied receiving an advanced customized price than were anxiously attached individuals.

Study 3 manipulated attachment style and used a 2 (Attachment style: anxious, secure) x 2 (Program: customized, loyalty card) x 2 (Price: equal, advantaged) between-subjects design to test (1) whether the interactive effect of attachment style in the customized pricing--customer satisfaction relationship is mediated by perceptions of price fairness, and (2) the prediction that securely attached individuals report similar price evaluations after receiving a group vs. customized discount; whereas, anxiously attached individuals report more positive evaluations after receiving a group (vs. customized) deal. The results suggest that anxiously attached consumers may be highly concerned about the interpersonal factors surrounding a price discount. Specifically, in the presence of a customized pricing program, anxiously attached consumers perceived an advantaged price as being unfair; whereas, an advantaged price based on having a store loyalty card was perceived as being fair. As such, the negative effect of customized pricing on anxiously-attached consumers is reversed when the deal is based on having a loyalty card rather than on personalized customization. Further study 3 demonstrates that customers’ perceptions of fairness mediate the customized pricing-customer satisfaction relationship.

Overall, our results suggest that customized pricing programs are likely effective among securely-attached consumers but not among anxiously-attached consumers. We propose that understanding the role of attachment theory in determining fairness and satisfaction responses to various marketing strategies is important both theoretically and practically. Given that attachment anxiety is negatively related to demographic variables such as age and income, managers can segment customers based on correlates of attachment style and tailor their marketing and pricing strategies accordingly. Relatedly, attachment styles can be primed through information presented in marketing communications (Gabriel et al. 2010); and, thus, marketing materials pertaining to customized prices can be designed to prime consumers with attachment security as they view information related to the customized pricing.

Perception of Environmentally-Friendly Efforts as Green or Greed

EXTENDED ABSTRACT

Consumer environmental concern is at a historical high, and many firms now offer products that are (or positioned as) friendly to the environment. Importantly, while many environmental efforts firms undertake cost additional money (e.g., using organic ingredients, making parts recyclable), others result in a cost savings for the firm (e.g., asking hotel patrons to re-use their towels, reminding consumers of saving electricity). The question we explore in this research focuses on the latter case, and examines when consumers construe a firm’s efforts to be environment-saving (green) versus money-saving (greed)?

Beliefs in “green” versus “greed” are attributions made about a firm’s intentions. Attribution research (e.g., Calder and Burnkrant 1977; Heider 1958) consistently shows that individuals infer the (unobservable) intentions of others based on their (observable) actions. In our context, consumers can attribute conservation efforts by firms as being of a noble (green) or more sinister (greed) motive? We propose that the price image of the place where these efforts are practiced and the extent to which firms draw attention to the environmental effort will affect whether consumers ascribe a firm’s motives as being based primarily in green (versus greed). Specifically, as there is a natural positive correlation between high price and perceived environmental friendliness (Yuan, Rajan, Krishna 2012), we expect consumers to infer more “green” motives to a firm with higher prices (versus a firm charging lower prices) (H1). Furthermore, when the higher priced firm makes consumer efforts in its green acts salient (versus not), we expect there is a greater attribution of greed (versus green) for such efforts compared to when a lower priced firm does so (H2). We also expect the effect of consumer-effort salience on green-greed attribution to be mediated by perceptions of the firm’s profit orientation (H3). The green-greed attribution is important because we expect it to drive consumers’ actual green behavior (H4), and the extent to which they blame (or credit) themselves (versus the firm) for green behavior (H5).

Study 1 and 2 were lab-based scenario studies in U.S. and Hong Kong. Undergraduate participants (n=197 for S1 and n=175 for S2) imagined that they had just checked into a hotel. We varied the price and whether or not a card was placed in the bathroom (“please reuse the towel to save resources”), making these 2(price: high vs. low) x 2(green effort: present vs. absent) between-subjects designs. We create a single item Green-Greed scale to measure the green versus greed attribution: “In my opinion, this hotel (1) is totally committed to going green; (4) will do green acts that will save them money; (7) is just cheap and is using “going green” as an excuse to save money.” In both studies, the low-priced hotel was perceived as being greedier than high priced hotel (H1). We also found that consumers perceived the high priced hotel as being more greedy (versus green) if they had an environment card versus when they said nothing at all; for lower priced hotels, the card had no effect on attributions (H2). In study 2, we also assessed the extent to which consumers perceived the hotel to be motivated by profit. Perceived profit motivation mediated the effect of price and green effort on green-greed attribution (H3).

Studies 3 and 4 were field experiments, which took place in a hotel chain in China. Participants (n=314 for S3 and n=281 for S4) were staff members of a large corporation participating in a training workshop. Participants were assigned to one of two hotels according to workshop themes (not performance). The two hotels, while under the same parent brand name, differ substantially in price (about US $125 vs. $37). We manipulated salience of green effort by whether or not a card was placed in the bathroom (“please reuse the towel to save resources”), making this a 2(price: high vs. low) x 2(salience of green effort: yes, no) between-subjects design. We replicated the findings in S1 and S2, again supporting H1-H3. Further, consumers tended to reuse their towels more when they perceived the hotel as being green (vs. greedy) (regression coefficient B =20, p<0.01) (H4). Controlling for towel reuse, consumers felt that they themselves were more green when they perceived the hotel as being greedy (B=-.25, p<0.05), suggesting a zero sum game between the firm and customer (H5).

Given the mediating role of perceived profit orientation, Study 4 examined the effect of mitigating this motive by manipulating it directly in a 2 (price: high vs. low) x 2 (salience of green effort: yes, no) x 2 (profit orientation: control vs. mitigated) between-subjects design. In the high salience green effort condition, consumers were encouraged to save electricity by turning off electrical devices and managing room temperature via a note on a small card in the room. We manipulated profit orientation by placing different types of toothbrushes in the bathroom: either a regular plastic tooth brush (control condition) in a plastic bag package (standard practice in local hotels)
or one made of bamboo, in a recycled paper-box package (mitigated condition). In the control condition, we found the same price X effort interaction pattern on greed-green attribution as in the previous studies. However, when profit orientation was mitigated, the price X effort interaction was no longer significant, leaving only the finding that the high-priced hotel was perceived as being more green than the low priced one. Additionally, the greed-green attribution predicted actual electricity usage over the guest’s stay (B=−.66, p<0.01) (H4) and self credit/blame for conservation efforts (B=−.19, p<0.01) (H5). Together, our results have important implications for which firms have more to gain from green efforts, how these efforts should be made public, and how to encourage green behaviors.

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