Reducing Peak-Hour Subway Crowding: Investigating the Effectiveness of Financial Disincentives

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The results of a national field experiment involving more than 1,000 commuters demonstrated that imposing a peak-hour surcharge effectively shifted travel from peak to off-peak periods. However, donating the collected surcharge to charity reduced the surcharge’s effectiveness in smoothing peak-hour crowds and did not improve commuters’ attitudes toward the policy.

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The Effect of Morality in the Marketplace
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Paper #1: Reducing Peak-Hour Subway Crowding: Investigating the Effectiveness of Financial Disincentives
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Paper #2: The Ambassador Effect: A Pre-Commitment Technique to Increase Consumer Prosocial Behavior and Loyalty
Corinne Kelley, Florida State University, USA
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Paper #3: Consumer Reactions to CSR: Morality Based Differences
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Paper #4: How Beliefs about the Universal Potential for Ideal Body Weight Influence Fairness Perceptions of Price Discrimination
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Michail D. Kokkoris, WU Vienna University of Economics and Business, Austria
Krishna Savani, Nanyang Technological University, Singapore

SESSION OVERVIEW
The theme of this special session relates to the various effects of morality in the marketplace. Expanding on prior research (Gino et al. 2010; Kidwell et al. 2013), the collection of papers identifies novel external and internal factors pertaining to morality—that relate to the consumer and/or the firm—and examines how they influence consumer evaluations/behavior.

In the first paper, Lee, Li and Yeung investigate morality as an external influencer—outside of consumers’ internal beliefs—to be utilized by the firm. They test morality as a framing tool, meant to enhance consumer response to public policies. The authors investigate how framing a penalty based incentive (e.g., surcharge) as a moral behavior (e.g., donation) might attenuate negative sentiments associated with the penalty. Counterintuitively, they find morality can backfire as a framing instrument, working against firm policy.

The second paper also looks at morality external to a consumer’s inherent beliefs, but researches morality from a more traditional perspective, with the goal of understanding how to enhance moral behaviors. Kelley, Mende and Scott examine how a unique, social influence based, pre-commitment tool and retail policy—that promotes financial incentives—operate as external cues to alter consumers’ moral behavior as it relates to engaging in a prosocial cause. This work is significant in that it identifies three external factors—pre-commitment, social influence, and policy—that impact moral behavior.

The third paper by Baskentli, Sen, and Bhattacharya investigates morality from an internal perspective. The authors test how variations in consumers’ moral concerns interact with a company’s CSR record (strengths vs. concerns) in seven key CSR domains (Corporate Governance, Diversity, Employee Relations, Community, Environment, Human Rights, and Product Safety) to affect company evaluations. Their central premise is that since CSR actions are inherently moral acts, consumer reactions to the domain of such actions should vary across the different morality clusters.

Finally, Li, Kokkoris and Savani also investigate how consumers’ moral beliefs impact attitudes and preferences. Uniquely, they study the impact of internal morality on evaluations of a firm’s discriminatory practices (also a moral issue), proposing that some moral ideals are applied to others universally, where everyone is expected to meet the same standard of virtuous behavior. This paper addresses how consumers’ morality, as it relates to universal expectations of self-control and obesity, influence consumers’ response to pricing policies deemed unfair. The final two papers make important contributions by demonstrating how consumers’ internal morality influence firm evaluations among in-domain variables.

Collectively, the four papers raise the key question: What critical factors influence moral evaluations/behaviors in the marketplace? This is important as consumers are often faced with notions of “right” and “wrong.” With reoccurring debates of morality, it is not surprising that consumers struggle to balance their will-power and desires when faced with marketplace decisions. Thus, this special session brings together leading scholars to enhance understanding of (im)moral behaviors, while using diverse methods (e.g., field and lab experiments). We expect this session to encourage broader discussion of morality, expanding researchers’ assumptions of what dictates morality in the marketplace.

Reducing Peak-Hour Subway Crowding: Investigating the Effectiveness of Financial Disincentives

EXTENDED ABSTRACT
Subway systems in urban cities are often heavily congested during peak hours. At times, trains are over-crowded to the extent that commuters cannot board them. Many cities adopt travel demand management measures such as time-based pricing to shift demand from peak- to off-peak periods. The most common approach is to offer discounted fares during off-peak periods and position the discount as a reward for early birds. An alternative solution to reducing peak-hour crowding is to impose a peak-hour surcharge and position the differential fare as a loss. Given that people are in general more motivated to avoid losses than to acquire gains (Tversky and Kahneman 1991), a peak-hour surcharge may be more effective than off-peak discounts in shifting demand from peak to off-peak periods. Nonetheless, commuters may display strong opposition to the surcharge policy, making it challenging to implement such a policy. These negative reactions may be explained by either commuters’ aversion to heavier financial burdens resulting from peak-hour travel, or their psychological defense against the lack of freedom to choose their own travel time.

The objectives of this research are to examine the effectiveness of a surcharge policy at shifting travel from peak to off-peak periods as well as assess commuters’ perception of the surcharge policy. In addition, we aim to develop and test different potential solutions to increase commuters’ receptivity toward peak-hour surcharge. Specifically, in our study, we investigated the behavioral and psychological impact of framing the surcharge as a moral behavior by donating the...
collected surcharge to charity—varying the proportion of the surcharge donated (50% vs. 100% of the surcharge collected) and the degree of autonomy commuters had in deciding the benefactor of the donation (commuters made their own choice of benefactor vs. the subway company predetermined a specific benefactor). We expected these features of the surcharge donation to reduce opposition in two ways. First, if commuters indeed perceive peak-hour surcharge as unfair to them, such that the surcharge exploits their need to travel to work to obtain financial gains (Nagle et al. 2016), donating the surcharge should negate this perception. Further, having 100% of the surcharge donated may reduce commuter opposition to a greater degree than having only 50% donated. Second, restrictive policies such as surcharge are often perceived as a control over people’s choice availability and a threat to their autonomy (Laurin 2012; Laurin et al. 2013). Accordingly, introducing a procedure that could help re-affirm commuters’ sense of autonomy (i.e., allowing commuters to choose their donation benefactor) may reduce their opposition to the surcharge policy (Kivetz 2005).

While these two factors—donation and restoration of autonomy—could reduce reactance against peak-hour surcharge, they may paradoxically reduce the effectiveness of the surcharge as a deterrent. In particular, knowing that the surcharge will be donated, commuters may find new meanings in the surcharge and consider the discouraged behavior a socially responsible act. As a result, they may not decrease their frequency of peak-hour travel and may even increase it. Our empirical study also examines this possibility.

We conducted a national randomized controlled trial (RCT) with more than 1,000 commuters across Singapore, randomly assigning these participating commuters to one of six conditions in a 2 (amount of donation: 50% vs. 100%) x 2 (benefactor: self-chosen vs. pre-assigned) + 2 (no-donation + no-surcharge control) between-subjects design. With the commuters’ consent, we tracked their travel histories before, during, and after a 6-week intervention period as recorded on their chip travel card. We also captured their attitudes toward the surcharge policy at different points in time during the experiment.

The results of the field experiment demonstrated that peak-hour surcharge effectively reduced the volume of peak-hour travel. However, donation of the surcharge to charity reduced the effectiveness of the surcharge in smoothing the peak-hour crowd. Moreover, the donation also failed to reduce attitudinal opposition to the surcharge policy. This result held regardless of how much of the collected surcharge was donated and who had selected the benefactor. A closer examination of the travel patterns in the donation conditions revealed that participants who had revealed less flexibility (vs. those with more flexibility) in their pre-trial travel times were particularly inclined to continue traveling during peak periods, suggesting that these participants were using the charity donation as a justification to retain their status-quo travel patterns. By contrast, travel-time flexibility did not influence commuters’ response to the peak-hour surcharge when the surcharge was not donated to charity; that is, how flexible commuters’ travel times were did not affect commuters’ propensity to shift their subway travel to off-peak periods in the no-charity condition.

In summary, our findings indicated that the “pure form” of surcharge (i.e., with the subway company retaining 100% of the collected surcharge) would yield the most promising result from a policy standpoint. Furthermore, besides traveling less during peak hours, commuters in this condition showed a moderate degree of adaptation to the surcharge policy—their attitude towards the surcharge became less negative by the end of the intervention period.

The Ambassador Effect: A Pre-Commitment Technique to Increase Consumer Prosocial Behavior and Loyalty

EXTENDED ABSTRACT

Although incentivizing consumers to engage in sustainable, prosocial behaviors is a moral initiative (Baca-Motes et al. 2013; Goldstein et al. 2008; Smith 2016), altering such behavior is no simple task. Recognizing the positive environmental, monetary, and reputational impact of such an effort, many state legislatures (NCSL 2016) and retailers (Parker 2016; Smith 2016; Target Brands, Inc. 2016) are instituting retail policies meant to encourage reusable bag use and reduce the use of disposable bags. These policies either utilize reward based incentives (e.g., discounts for bringing reusable bags) or penalty based incentives (e.g., plastic bag bans or fees).

Still, it is not clear how consumers might respond to such policies. Thus, we need to understand if consumers are most responsive to reward or penalty based policies, and what can be done to improve the effectiveness of these policies. Expanding work on social influence, sustainability (e.g., Goldstein et al. 2008), and behavioral reinforcement theory (Andreassen 2002; Bickel and Vuchinich 2000; Rothschild 1999), the present research seeks to understand how social influence impacts financial incentives’ ability to encourage prosocial behavior. We propose a novel, pre-commitment tool, referred to as the “ambassador effect,” that suggests consumers are more likely to engage in subsequent prosocial behaviors if asked to involve another person in the initiative. Even more importantly, we demonstrate that this ambassador effect can enhance the success of penalty based retail policies.

Our proposed ambassador effect emerges in light of extant research on social influence and pre-commitment. Prior work relies on social norms to push prosocial behavior (Goldstein et al. 2008; Schulz et al. 2008), whereas we argue involving another person in a prosocial action leverages anticipated social interaction as a pre-commitment tool. Work on commitment demonstrates engaging in small behaviors aligned with a larger obligation is effective at influencing subsequent behavior (Cialdini 2007; Freedman and Fraser 1966). Pre-commitment’s influence on behavior is supported by cognitive dissonance theory’s principle of consistency, which suggests that individuals are driven to keep their attitudes/beliefs harmoniously aligned with their current state (Festinger 1957). In our research, we propose that when a consumer agrees (pre-commits) to involve another person in a prosocial action, the social aspect of the pre-commitment causes the consumer to take on an ambassador-like role, where they feel obligated to represent and promote the prosocial cause. Due to the consistency principle, the consumer will be more likely to engage in the subsequent behavior with the ambassador role, increasing prosocial behavior.

We test this hypothesis in the field and lab. In study 1, participants outside of a grocery store completed a short survey in exchange for a free reusable bag. Upon completion, participants in the baseline condition were given one bag, whereas participants in the ambassador condition were given one bag to keep and a second bag to give to another person. Findings show that consumers primed with an ambassador role are more likely to use reusable bags in the future, compared to consumers who were not primed.

An alternative explanation is that these findings are the result of those in the ambassador condition receiving two bags, whereas those in the baseline condition only received one bag. In study 2, we replicate our findings, and rule out the alternative explanation of bag quantity. We add a third condition to the bags factor in which lab participants are told they received two free bags for personal use. We compare the 1 bag and 2 bags condition to the ambassador condition,
finding that the ambassador condition results in greater future reusable bag use relative to both other conditions.

Finally, this paper suggests that the ambassador effect moderates the success of retail policy incentives. In general, we suggest penalty based policies are inferior to reward based policies as reward based policies have no obvious drawback (the individual, retailer, and society all benefit). However, penalty based policies can cultivate consumer opposition as consumers have become accustomed to receiving disposable bags, free of charge, and are likely distressed when fined for a traditionally free service. Moreover, prior research has highlighted several adverse side effects of negative reinforcement such as aggression toward and avoidance of the penalizing entity (Balsam and Bondy 1983). These undesirable effects occur with low intensity penalties as they tend to be less effective (Gneezy et al. 2011; Solomon 1964). Thus, when applying a low intensity loss (e.g., five cent fee), we predict consumers will oppose penalty based policies more than reward based policies.

However, we hypothesize that our ambassador effect will mitigate this opposition to penalty based reinforcement. When the ambassador effect is activated, the need to align a pre-commitment with consistent behavior will attenuate the consumer’s rebellion. In addition, the social aspect of the ambassador effect (involving another person) should cause compliance with a prosocial policy to appear more public. Thus, the ambassador effect should enhance receptivity to a penalty based policy as penalty based incentives are more effective when prompting public compliance over private acceptance (Allen 1965; Festinger 1953). Finally, we expect the same moderating effect to spillover onto loyalty toward the retailer employing the policy.

We test our theorizing in study 3, where lab participants were given information about a retail policy stating that, “… retail customers will be [charged/offered] a 5-cent [fee/discount] for each [plastic/reusable] bag they use during check-out.” Next, participants were randomly assigned to the baseline or ambassador condition. Findings indicate consumers report high commitment to reward based policies, for both the baseline and ambassador conditions. Contrastingly, for penalty based policies, participants in the baseline condition revealed relatively low commitment to the policy. Importantly, this low commitment is raised to the level of a reward based policy when a consumer is primed with an ambassador role, attenuating negative effects of the penalty. The same moderating pattern appeared for store loyalty. Moreover, commitment to the policy was found to mediate this change in loyalty.

Altogether, our findings indicate priming a prosocial ambassador is an effective pre-commitment technique that enhances prosocial (moral) behavior, and improves the success of negatively reinforced retail policies.

Consumer Reactions to CSR: Morality Based Differences

EXTENDED ABSTRACT

The CSR actions of a company have been shown to enhance consumers’ attitudes, increase purchase likelihood, and improve the company’s long-term reputation (Du, Bhattacharya, and Sen 2010). Notably, these CSR actions can fit in one or more of several different CSR domains. Yet, little is known about consumer preferences for specific domains. Prior research points to the importance of domain-specific characteristics in driving consumer response to a company’s CSR actions (Kidwell et al. 2013), underscoring the need for a systematic investigation of the role of CSR domains in consumer reactions to a company’s CSR record.

In this research, we draw upon moral foundations theory (MFT) to investigate how variations in consumers’ moral concerns interact with a company’s CSR record in different CSR domains to affect their company evaluations. MFT focuses on the psychological basis of morality (Winterich, Zhang, and Mittal 2012) to identify five moral foundations among which moral behavior varies: 1) harm (minimizing harm to others), 2) fairness (maximizing fairness to all), 3) loyalty (the importance of the in-group), 4) authority (respect for status and hierarchy), and 5) purity (avoiding impure or disgusting acts/entities) (Haidt and Graham 2009). Past research has collapsed these foundations into two superordinate factors; individualizing, comprising fairness and harm, and binding, comprising loyalty, tradition, and purity (Graham, Haidt, and Nosek 2009). The individualizing dimension is concerned with protecting individual’s rights and treating them fairly whereas the binding foundation pertains to preserving the group as a whole (Haidt and Graham 2007). Consumers can be high or low on each of these dimensions, falling thus into four moral concerns clusters: Low Individualizing, Low Binding (LI-LB); Low Individualizing, High Binding (LI-HB); High Individualizing, Low Binding (LI-LB); High Individualizing, High Binding (HI-HB). Our central premise is that since CSR actions are inherently moral acts, consumer reactions to the domain of such actions should vary across the different morality clusters.

We focused on seven CSR domains (Corporate Governance, Diversity, Employee Relations, Community, Environment, Human Rights, and Product Safety) by modifying the generic descriptions of each domain provided by the KLD Indices—the most widely used and comprehensive information source for corporate social performance research (Chen and Delmas 2011). Thus, our study used a 7 (CSR domains; between subjects) × 2 (CSR record: concerns vs. strengths; within subjects) × 7 (CSR domains; between subjects) × 2 (CSR record: concerns vs. strengths; within subjects) design. Two hundred nine Amazon Mechanical Turk workers (44.5% female, Mage = 35.32 SD = 11.52) located in the U.S. participated in this study in exchange for monetary compensation. Participants were randomly assigned to evaluate seven different companies (one for each CSR domain), each with a name that belongs to a South American company, unfamiliar to the U.S. sample. For each company, participants were exposed to a brief description about the company’s record on a specific CSR dimension. Over the seven different companies, participants were exposed to all seven CSR domains, with either strengths in four domains and weaknesses in three other domains or, alternately, strengths in three domains and concerns in four other domains. This design allowed us to expose each participant to all seven CSR domains without ever having him/her evaluate the same company on both concerns and strengths in the same CSR domain. After reading each company description, respondents evaluated the company (7-point scale; 1 = very unlikeable, 7 = very likeable). After evaluating all seven companies, participants completed the 30-item moral foundations questionnaire (MFQ; Graham et al. 2011).

The four moral concerns clusters were created by collapsing five core foundations into two factors; individualizing (the aggregate score on harm and fairness; $a = 0.79$) and binding (the aggregate score on authority, in-group loyalty, and purity; $a = 0.87$). Then, following prior research, we added participants’ scores on the individualizing foundations, and performed a median split on our data using these scores. Similarly, we added participants’ scores on binding foundations, and performed another median split (Kim et al. 2014). So, participants were divided into four moral concern clusters (LI-LB), (LB-HI), (HI-HB) and (LI-HB) around the respective median values for these measures.
We used a linear mixed-effects model to investigate the differences in company evaluations based on participants’ moral concerns cluster, the CSR domain, and companies’ record in each domain (i.e., concerns or strengths). We found a significant three-way interaction of CSR domain × CSR record × Moral Concerns Cluster (p < .001), indicating that participants who belong to different moral concerns clusters react uniquely to a company’s CSR record in different CSR domains. To further investigate this three-way interaction, we analyzed the data separately for the two CSR records (concerns vs. strengths). When reacting to concerns, our results reveal that the Low Binding – High Individualizing moral concerns cluster dislikes the company more compared to the Low Binding – Low Individualizing cluster (M_{Low} = 1.55 vs. M_{High} = 2.65; p = .001), and compared to the Low Individualizing – High Binding cluster (M_{Low} = 1.55 vs. M_{High} = 2.34; p = .014) in the Corporate Governance, Diversity, Environment, Human Rights and Product Safety domains. There were no significant differences in the other two domains. Interestingly, we do not obtain similar results in the strengths condition. Our results revealed that the High Binding – High Individualizing cluster likes the company more compared to the Low Binding – Low Individualizing cluster (M_{Low} = 6.50 vs. M_{High} = 5.92; p = .025) in the Product Safety and Environment domains (M_{Low} = 6.65 vs. M_{High} = 5.65; p < .001).

Overall, we find that when people evaluate CSR strengths, those who are high on both individualizing and binding foundations show greater liking towards the company compared to those who are low on both foundations. Interestingly, we do not obtain similar results when individuals evaluate the records of CSR concerns. We find that the High Individualizing-Low Binding cluster shows greater dislike towards the company compared to the Low Individualizing-High Binding cluster.

How Beliefs about the Universal Potential for Ideal Body Weight Influence Fairness Perceptions of Price Discrimination

EXTENDED ABSTRACT

A newly emerged pricing policy advocates discriminating prices for the same service based on consumers’ characteristics; a practice some might deem unfair or immoral. For example, Samoa Air implements a “pay-as-you-weigh” policy, charging its passengers based on their body weight. Such pricing policies, where firms charge different prices to different customer segments, have been called third-degree price discrimination or variable consumer pricing (Kuo et al. 2016). Prior research on price discrimination and fairness has examined the factors that influence consumers’ fairness perception (e.g., Kuo et al. 2016; Xia et al. 2004, Wu et al. 2012) and the negative consequences of price discrimination (e.g., Bolton et al. 2010; Campbell 1999; Ferguson et al. 2013). In this research, we investigate how consumers’ lay beliefs about body weight affect their attitudes towards price discrimination.

Specifically, we investigate how the belief that only some people versus everyone can achieve an ideal body weight influences consumers’ attitude towards price discrimination. This is based on prior research examining people’s beliefs that ideal levels of certain traits are found limited only to some people or across all people (non-universal-universal beliefs). For example, Rattan et al. (2012) showed that universal (vs. non-universal) beliefs of intelligence predict increased support for policies that distribute resources more equally across advantaged and disadvantaged social groups. Lay beliefs about the universality of potential have been shown to be conceptually and empirically distinct from lay theories about the malleability or stability of individual traits (fixed-growth beliefs; Murphy and Dweck 2016), as well as have distinct consequences (Rattan et al. 2012).

We hypothesize that universal (vs. non-universal) beliefs enhance fairness perceptions of discriminating pricing policies (Study 1) via highlighting the benefits for the individual rather than for the company (Study 2). Further, we predict that this effect only occurs when the source of the discrimination is related to body weight and not other types of pricing discrimination, such as discrimination based on the financial situation (Study 3). Finally, drawing upon research showing that people with growth (vs. fixed) beliefs have greater openness to personal improvement (Chiu et al. 1997; Erdley and Dweck 1993; Plaks et al. 2001), we predict that growth belief, as compared to fixed belief, will increase consumers’ acceptance of price the discrimination policy among consumers with non-universal beliefs, but not among those with universal beliefs (Study 4).

In Study 1, participants first completed an 8-item measure of non-universal-universal lay beliefs of body weight (α = .91). Then, they read a news article about the “pay-as-you-weigh” pricing policy of Samoa Air and indicated their overall acceptance of the policy (fair, acceptable, reasonable; α = .96). Results showed that the universal (vs. non-universal) belief was positively related to consumers’ overall acceptance of the pricing policy, β = .30, t(408) = 6.26, p < .001.

Study 2 replicated the result of Study 1 by manipulating participants’ non-universal vs. universal beliefs. Results indicated that participants in the universal condition (M = 4.03) had higher acceptance of the policy than those in the non-universal condition (M = 3.68), F(1, 493) = 4.04, p = .05. Moreover, in the universal (vs. non-universal) condition, this effect was mediated by a greater focus on benefits of the policy for the individual rather than for the company (95% CI = .01 to .39).

Study 3 extends the previous studies in three ways. First, we examined the moderating role of the source of discrimination by showing that the above effects do not hold when the discrimination is not related to body weight (e.g., financial situation). Second, we explored downstream consequences in terms of behavioral intentions and word of mouth. Third, we utilized another discrimination context (an insurance company charging premiums based on customers’ BMI) to generalize the effect of Study 1 and Study 2. We manipulated the source of discrimination (body weight vs. financial situation) in an insurance scenario and measured non-universal-universal beliefs about weight. Results showed a significant interaction between source of discrimination and beliefs on the overall attitude towards this policy, β = -.39, t(168) = -3.37, p < .001. Specifically, universal vs. non-universal beliefs affected the attitude towards discriminatory pricing based on body weight (M_{Non-universal} = 3.78 vs. M_{Universal} = 5.29, p < .001), but not based on financial situation (M_{Non-universal} = 4.37 vs. M_{Universal} = 4.48, p = .71). Additionally, the pattern of results for buying intention and word of mouth was similar.

In Study 4, we examined the moderating role of fixed-growth beliefs. A pretest confirmed that non-universal-universal beliefs are only moderately correlated with fixed-growth beliefs (r = .36, p < .01). Participants evaluated the insurance company’s pricing policy on the set of variables used in study 3 (overall attitude, buying intention, and word of mouth). Additionally, participants completed two measures of non-universal-universal beliefs of body weight and fixed-growth beliefs. Results showed that the universal belief was positively related to consumer’s attitude towards the pricing policy, β = .55, t(382) = 4.35, p < .001. However, the main effect of fixed-growth belief was not significant, β = .11, t(382) = .85, p = .40. More importantly, a significant interaction, β = -.23, t(382) = -2.78, p = .01, indicated that, among the universal beliefs, the effect of fixed-growth
belief was not significant ($M_{\text{Universal-entity}} = 4.40$ vs. $M_{\text{Non-universal-entity}} = 4.17$, $p = .49$); in contrast, among the non-universal beliefs, growth beliefs lead to a more positive attitude compared to fixed beliefs ($M_{\text{Non-universal-entity}} = 2.85$ vs. $M_{\text{Non-universal-incremental}} = 3.52$, $p = .01$). Additionally, the pattern of results for buying intention and word of mouth was similar.

To summarize, our research shows that consumers’ lay beliefs about weight, shape consumers’ acceptance of price discrimination. Consumers holding universal (vs. non-universal) beliefs are more likely to accept such policies because they view these policies as benefitting the individual more than the company. We further show that this effect is moderated by the source of discrimination and consumers’ fixed-growth beliefs. Our findings contribute to research on lay beliefs—in a marketing context—and provide useful managerial insights for price discrimination policies and perceptions of price fairness.

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