1 INTRODUCTION

A few years ago in Delhi, in a matter of few months and due to no apparent reason, the price of onions shot up from Rs. 5/kg to about Rs. 70/kg. The consequent public outrage costs the then BJP Government of Delhi its seat. KKT (1986a) ask respondents to rate the following action of a seller, “A hardware store has been selling snow-shovels for $15. The morning after a large snowstorm, the store raises the price to $20” (p 729); 82% of the respondents rate the action as ‘unfair’. Rise in prices due to no apparent reason is perceived usually so. Consumers may also consider differential pricing as unfair; for instance, a loyal consumer may consider a rebate offered for switchers so.

The fairness of price as a constraint on free market pricing, against the abuse of market power is seen to operate in many arenas of social exchange. The organizers of Indian Premier League cricket matches sell tickets at a fraction of what many black-marketers (called scalpers in the US) are able to easily get out of willing spectators. Many cinema multiplexes sold tickets for the popular block-buster Tamil movie ‘Sivaji’ at a fraction of what many movie goers were willing to pay. In fact, fairness is also one constraint why the ‘discovered price’ via a book built route of many Initial Public Offers (IPOs) of Indian corporate are a fraction of the price at which it opens for trading in bourses in a matter of few days after closure of IPOs.

Such Perception of Price Unfairness may lead to several negative consequences to the seller; for instance, it may lead to a severe consumer backlash such as negative word of mouth, litigation, or the customer leaving the shop.

But not in all cases does a price increase or a price difference among two sets of consumers may lead to perception of price unfairness. For instance, a few antecedent factors such as good reputation of the seller or provision of a good justification for price increase, etc, moderates the negative effect of price increase. Or, if the society considers privileges to the aged and the physically challenged as fair then, price advantages to such consumers may also be considered fair.
Norms and practices that have evolved over a time period have a great influence over such perceptions of fairness; what was considered unfair earlier may be acceptable now.

This thesis is about several antecedents and consequents of Perception of Price Unfairness.

Research on Perceptions of Price Fairness and/or Unfairness, also referred to as – using an interchangeable abbreviation – PPU or PPF or PPU/F research, is fairly recent compared to general research on price. PPU research is just about twenty years old; a major trigger being the seminal work of KKT (1986a). Of all the seventy-five odd scholarly work published directly concerning PPU, just about a third belong to the first decade and the balance two-thirds to the recent last decade. On the other hand, psychological price research is at least one hundred fifty years old; a major trigger being yet another seminal work from Weber as early as 1834 (as reported in Fechner, 1860). Thus, PPU research is fairly new and recent times are witnessing large attention of world researchers.

We hope this thesis adds substantially to the body of current knowledge. It is a set of five chapters about antecedents and consequents of such Perception of Price Unfairness. While all the chapters concern deeply with the focal construct “Perception of Price (Un)Fairness” alone, each chapter is a standalone module or a research:

- The chapters two and five are conceptual and each has its own objectives, theoretical bases and conclusions.

- The chapters three, four and six contain empirical evidences and each of these chapters have their own objectives, theoretical bases, hypotheses, methodology, results and conclusions.

The first chapter also serves the purpose of a literature review for rest of the chapters.

The thesis is firmly grounded on knowledge from over 230 peer reviewed journal articles in this area, responses / data from over a 1,000 respondents / subjects, and
statistical techniques such as MANCOVA, Structural Equation Modeling, ANOVA, etc.

In the first chapter, we thoroughly examine the past researches and codify them in to a general theory. We examine several researches, numbering to nearly one hundred fifty, to produce a parsimonious general theory of Perception for Price Unfairness.

The second chapter is about ‘mindless processing’ of information by consumers. We show how, via an experiment (with MANCOVA statistical analysis), consumers’ PPU is impacted by information that is devoid of any quality and how a mere information presentation style makes a difference. For instance, consumers may perceive less unfairness when a price increase is camouflaged with a pseudo-discount, i.e. raising the price and offsetting the increase with a partial discount; or, how, under certain conditions, a justification for price increase devoid of any quality may suffice.

The third chapter is about the relative role of Perception of Price (Un)Fairness (PPU/F) in determining Repurchase Intentions in Dynamic Pricing Markets. Past researches posit that there ought to be a high PPU in markets where prices are dynamic, such as airfares. Yet we see growth in such industries. This paradox is resolved by analyzing the impact of the focal variable ‘PPU’ along with other predictors of repurchase intentions such as perceived quality and product usage satisfaction. The chapter using Structural Equation Modeling (SEM) demonstrates relative low strength of PPU.

The fourth and the fifth chapters of the thesis are two short ones that delve into two inconsistencies in the past researches with a view to reconcile them. In the fourth chapter, we reconcile the seemingly inconsistent predictions between Weber Fechner Law and the Fair Price Theory. In the fifth chapter, we expound on the concept of Asymmetric Effects of Prices on PPU/F.

In the concluding section, we briefly restate the general theory of perception of price (un)fairness and weave in the findings of our studies. We hope, in these moments of high inflation in our country, findings of this thesis helps marketers to set prices that will not be perceived as unfair, help policy makers enact clearer and stronger legal framework to protect consumers against unfair price setting and in the end make consumers’ life easier and better.