7 SUMMARY AND CONCLUSIONS

The thesis findings, comprising five chapters in all, are on the basis of several sound and established theories. For instance, Prospect Theory underpins most findings of the thesis. Further, social psychology theories of justice such as Equity Theory, Procedural Justice, Attribution Theory and theories of psychophysics such as Weber’s Law, Adaptation Levels, etc., are other pillars of the findings of this thesis. Therefore, our findings have high internal and external validity. Our findings will find applications in a wide array of goods and services markets.

In the Chapter 2, we codified and consolidated extant research into a general theory of PPU/F. PPU/F is an evaluation accompanied with emotions such as anger or guilt resulting from a comparison of the actual price a consumer encounters with a reference price in the memory of that consumer or a price that another consumer receives. When the actual price is so compared, a consumer may code the difference if any as a gain or a loss and coding results in an evaluation of fairness with accompanying emotions. In case the outcome is coded as gain, the resultant emotions may be guilt of taking an undue or iniquitous advantage. In case the outcome is coded as a loss, the resultant emotions may be anger borne out of being in a disadvantageous inequity.

Formation of PPU and negative emotions may be simultaneous and each of the outcomes, one cognitive and the other affective may feed and accentuate each other.

The consequence of PPU is that the consumer may leave the sales exchange or engage in other activities that are potentially damaging to the seller, such as indulging in negative word of mouth.

When the price difference is significant, several variables moderate the impact of the price difference on formation of PPU/F and emotions. The consumer may evoke the characteristics of a Reference Transaction, formed out of past experiences and residing in the memory of the consumer, with a Referent Transaction – the actual transaction that requires an evaluation. A characteristics of the reference transaction include the product, price, place, promotion, processes, people, physical evidence, the
user imagery, the perceptions about the seller (i.e. his/her reputation, trustworthiness, etc.), characteristics of the other consumers (e.g. whether the other consumer is more meritorious or needy etc.) For instance, even if the actual price the consumer received was higher than what other consumer received the knowledge that the other consumer is aged and hence more deserving of the lower price may thwart formation of PPU.

Even after formation of PPU, consumer’s prior product usage satisfaction may moderate the impact on negative intentions. Similarly, perceived cost of retaliation and knowledge about alternatives may moderate the impact of negative intentions on negative behavior.

The general theory so postulated assumes that a consumer necessarily engages in a mindful processing of incoming information about the actual price and other related information concerning a price change.

In the Chapter 3 we show that such mindful processing may not be the case always. We show how mindless processing of information impacts perceptions of price unfairness. For instance, we showed that under certain conditions, even Placebic information – information devoid of any quality- would suffice as an adequate justification for a price increase. We also showed why pseudo-discounts – a price increase offset with a partial discount - work. Such possibilities to attenuate PPU have several implications for public policy.

Even if the consumer engages in mindful processing, in the Chapter 4 we show that in certain markets the role of PPU may be limited. We examined the relative role of PPU on repurchase intentions. Much of the extant research proposes low repurchase intentions in dynamic pricing markets such as those of airlines etc, since PPU may be high in a market with heterogeneous prices. However, we show that even though PPU is high in dynamic pricing markets, the relative role of PPU is lower than other key variables, such as product usage satisfaction, in predicting repurchase intentions.

Though we have shown in the previous two chapters that PPU may indeed not be so damaging, we wish to state here that these two studies are more an exception than the rule. PPU can indeed be damaging to firms. Therefore, we extend the mainstream literature on PPU through two more short studies (fourth and the fifth chapters).
In the Chapter 5, we reconcile a long pending claim of inconsistent predictions between Weber Fechner Law and Fair Price Theory. We show that the predictions of Fair Price theory and Weber Fechner Law are not different if a positive price-quality relationship is assumed. Further, while the authors (Kamen and Toman, 1970) of Fair Price Theory contend that they have found an exception to Weber Fechner Law, their study is in fact not a test of Weber Fechner Law at all.

In the Chapter 6, we show that price change has an asymmetric impact on PPU. The implication is that a unit fall in prices may improve PPF a rate lower than the rate a unit increase in price reduces PPF. The asymmetric effect has several implications for marketing strategy: the primary implication being, a buck invested in damage control when price is perceived as unfair is better than a buck invested in improving price fairness perceptions.

We believe the thesis extends the current body of knowledge on PPF in several ways. As indicated in the introduction, we hope that in these moments of high inflation in our country, our findings help 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.