Abstract

The thesis, a set of five chapters, each chapter being an independent module, focuses on “Antecedents and Consequents of Perception of Price Unfairness”. The findings are based on several established theories such as the Prospects Theory, Equity Theory, Procedural Justice, Attribution Theory, Weber Fechner Law, etc., data from over a 1,000 respondents, and statistical analytical techniques such as MANCOVA, Structural Equation Modeling and ANOVA. We codify findings of extant researches into a General Theory of Perception of Price Unfairness (PPU). PPU is an evaluation accompanied with emotions such as anger or guilt resulting from a perceived loss from out of 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. 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. The impact of gain and loss on Perception of Price Fairness and Perception of Price Unfairness, respectively, is asymmetric. The assumption in the extant literature that consumers engage in a mindful processing of incoming information is tested and we show that may not be the case. Based on Weber Fechner Law and Cognitive Scripts, the study shows that a consumer facing price increases of low magnitude engages in recognition-primed mindless processing of information and, therefore, tolerates low price increases and accept Placebic justifications, i.e. justifications devoid of quality. Based on Prospect Theory, Framing and Theory of Transaction Utility, we show that consumers providing a pseudo-discount, i.e. raising price and offsetting with a discount, is of value to consumers and it improves Perception of Price Fairness. Further, we show that even if the consumer engages in mindful processing, the impact of PPU is lower than other variables, such as service usage satisfaction, on repurchase intentions in dynamic pricing markets. Specifically, PPU results from a difference between Fair Price and Actual Price. We also show that even if an exchange has a potential acquisition utility, presence of transaction disutility may result in PPU and thereby a loss of a customer. In each of the chapters, implications to marketing are discussed and suggestions for future research are recommended.