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# Impacts of product type and representation type on the perception of justice and price fairness

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## ABSTRACT

Consumers make purchasing decisions every day. This paper investigates perceptions of justice and price unfairness, where the product (hedonic vs. utilitarian) is presented either in a more abstract (verbal) or a more concrete (photo) way in a context of discriminatory pricing—a widely-employed marketing practice. Two experimental studies were completed. Results show an interaction between product and representation types. When consumers pay more than others to purchase utilitarian products that are concretely represented, participants perceive more unfairness when compared to hedonic products. However, when consumers pay more than others to purchase utilitarian products abstractly represented, the perception of unfairness decreased compared to hedonic products. For consumers and practitioners, this study offers important contributions—it presents situations in which a discriminatory price can result in a different perception of injustice or price unfairness to informed consumers. Accordingly, implications of these findings for the literature, consumers, and managers are discussed.

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## 1. Introduction

Consumers purchase all kinds of products every day, from utilitarian to hedonic ones. In general, utilitarian consumption is related to instrumental and functional needs or products while hedonic consumption is related to fun, pleasure, excitement, fantasy, experimental situations, or sensual pleasure (Curry, 2001; Shiv & Fedorikhin, 1999; Wertenbroch & Dhar, 2000). Researchers have been exhaustively exploring the impacts of hedonic and utilitarian products on the choice process. Investigating the processing resource Okada (2005) revealed that the presentation format (hedonic and utilitarian products presented together or individually) can influence consumers' choices and Sela, Berger, and Liu (2009) showed that when presented with a large assortment of products, people tend to choose more utilitarian products over hedonic ones. However, very little attention was given to the representation type in either case.

Psychology and, more recently, neuroscience studies have shown information processing differences when people are presented with words or pictures (Amit, Algom, & Trope, 2009; Hinojosa, Carretié, Valcárcel, Méndez-Bértolo, & Pozo, 2009; Miwa, Libben, Dijkstra, & Baayen, 2014; Schlochtermeier et al., 2013). For instance, the Stroop

test—a test in which subjects are presented with the names of colors printed in ink of a different color (i.e., the word “blue” is written in red ink) and are then instructed to either name the color of the ink or read the written word as quickly as possible—has shown that participants presented with words have slower information processing than when presented with pictures (Glaser & Glaser, 1989; Lavy & van den Hout, 1993). In other words, pictures entail privileged access to processing semantic and affective information when compared to words (Azizian, Watson, Parvaz, & Squires, 2006; De Houwer & Hermans, 1994).

Closely related to the differences found when presenting words versus pictures is the level of abstraction associated with construal level theory. This theory proposes that individuals create interpretations for objects and events (Trope & Liberman, 2010). The construal level of events or objects is defined as being either high or low. It is high when representations are more abstract compared to other events or objects (Trope, Liberman, & Wakslak, 2007; Trope & Liberman, 2003). Amit et al. (2009) applied construal level theory to words and pictures and demonstrated through eight studies that objects represented by either words or images have distinct abstraction levels, influencing the speed of their classification.

Due to the fact that hedonic attributes are more related to fantasy, projective images of events, and consumption experiences (Spangenberg, Voss, & Crowley, 1997), hedonic purchases may be perceived to be more abstract than utilitarian purchases, which involve a

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more cognitive analysis of benefits (Okada, 2005; Wertenbroch & Dhar, 2000). Consequently, different representations (more concrete or abstract) of a hedonic or a utilitarian product may interfere in consumer behavior. Therefore, this paper aims to answer the question “Could abstraction levels due to representation type influence a hedonic or utilitarian post-purchase product evaluation?”

In order to address research questions in a post-purchase evaluation we chose the context of discriminatory pricing, a marketplace sales practice that is being increasingly employed (Jin, He, & Zhang, 2014; Weisstein, Monroe, & Kukar-Kinney, 2013; Xia & Monroe, 2010). Discriminatory pricing means offering different prices according to the time of day, day of the week, month, or year—it is related to supply and demand. That means the price each customer is paying may be completely different from another individual (Elmaghraby & Keskinocak, 2003). This pricing strategy is largely used in retailing such as entertainment, food, hospitality, and in e-commerce (Lii & Sy, 2009; Weisstein et al., 2013), areas that use words and pictures as product representation. Although this strategy may increase company profitability (Jin et al., 2014), it may also entail negative consequences, such as a sense of unfairness (Xia, Monroe, & Cox, 2004).

When people compare the ratio of their input to output (financial and nonfinancial) to the ratio of another party, they perceive the situation on a scale from unjust to just (Patterson, Cowley, & Prasongsukarn, 2006). If the difference between the input and the output is in the individual's favor, they may judge the decision as just. If the difference is to the individual's detriment, they may judge it as unjust. The concept of perception of justice has two main aspects: social and economic (Chebat & Slusarczyk, 2005; Schoefer & Ennew, 2005). In this paper, we explore both of these aspects of justice. In this case, the perception of justice itself is related to the specific situation, which is a social aspect. Price fairness, following Xia et al.'s (2004) concept, is specific to the price. Therefore the present study investigates perceptions of justice and price unfairness when the product is hedonic or utilitarian using construal level theory (high and low level of representation).

This study is relevant for marketing science because (a) many academics use words and pictures as stimuli, but few address the consequent differences due to representation types (Amit et al., 2009), (b) few studies explore and analyze differences in consumer evaluation; (c) the results from this study complement the hedonic and utilitarian field, which has been highly explored but not yet exhausted (Isabella & Mazzon, 2015); (d) academic researchers using an experimental method, often use pictorial and verbal stimuli to induce emotion (Townsend & Kahn, 2014) and these differences in representation type may influence participant responses; (e) in the classical decision making process, hedonic and utilitarian papers and construal level theory focus on choice, however this paper focuses on understanding product evaluations in post-purchase situations (Aydinli, Bertini, & Lambrecht, 2014; Shiv & Fedorikhin, 1999; Trope et al., 2007).

For consumers and practitioners, this study offers important contributions, such as (a) presenting situations in which a discriminatory price can result in a perception of injustice or price unfairness for informed consumers; (b) deepening understanding of better ways to represent products (words or photos) in order that companies can mitigate the perception of injustice or price unfairness caused by price changes; and (c) analysis of how consumers process information differently according to the type of product, thus companies can reduce consumers' stress about being informed about the discrepancies in price. Technology has made it easy to research and compare prices. Additionally, consumers are more careful with the price discrepancies in periods of economic restriction. Consequently, it is important to understand that consumers' perception of justice and price fairness can be a win-win (gain to consumer and for firms).

In the next section, we present the concepts of construal level theory: hedonic and utilitarian purchase. The hypotheses of this study are based on these concepts. Next, we describe two experiments and their

analyses. This paper ends with a final discussion including limitations and possible future studies.

## 2. Theoretical background

### 2.1. Hedonic and utilitarian products

Products have two major dimensions: the utilitarian dimension and the hedonic dimension (Voss, Spangenberg, & Grohmann, 2003). Utilitarian products are instrumental and goal oriented (Wertenbroch & Dhar, 2000). They can be considered functional, sensible, and usable (Botti & McGill, 2011) and accomplish functional, practical tasks. Consequently, they can also be considered necessary (Choi, Li, Rangan, Chatterjee, & Singh, 2014). Usually their benefits are perceived as tangible and concrete (Sela & Berger, 2012). Alternatively, the hedonic dimension of a product can be considered as an imaginative reality. People can purchase a product of desire and anticipate an experience or fantasy (Holbrook & Hirschman, 1982) based on what they expect will bring pleasure (Alba & Williams, 2013). The hedonic approach to consumer behavior includes a role for mental constructs, involving the multisensory system and emotional arousal (Holbrook & Hirschman, 1982). Consumers perceive symbolic meanings of the subjective characteristics of a product (Shiv & Fedorikhin, 1999). For instance, perfume can make people feel more attractive. The hedonic product is usually valued for its pleasing properties (Mano & Oliver, 1993). Therefore, the attributes of hedonic products are not perceived as necessary, but rather as something the product can work without (Sela & Berger, 2012).

It is common to view hedonic and utilitarian dimensions on a bipolar scale. However, products are both hedonic and utilitarian but sometimes appeal to one of the dimensions more than the other (Hirschman & Holbrook, 1982; Holbrook & Hirschman, 1982; Voss et al., 2003).

### 2.2. Perception of justice and price fairness

When consumers feel that a price is unfair or when there is a price change, they may feel that the situation is unjust. The concept of perception of justice is an evaluation of the appropriateness of a person's treatment by others (Chebat & Slusarczyk, 2005; Schoefer & Ennew, 2005). The justice concept has two main aspects: social and economic. Consumers will have a perception of injustice when they believe that the seller is being dishonest by not adhering to the “common” rules of the purchase process (Maxwell, 2002). Economic impartiality is related to the economic theory that we could extrapolate aspects of emotions. In general, emotions “give rise to affective experiences such as feelings of arousal, pleasure/displeasure ... and, lead to behavior that is often, but not always, expressive, goal-directed, and adaptive” (Kleinginna & Kleinginna, 1981, p. 355). Negative emotion such as anger is typically associated with perceived unfairness (Xia et al., 2004).

“Buyers are assumed to be self-interested utility maximizer[s] who rationally review the magnitude of a price and judge its economic acceptability based on their own best self-interest” (Maxwell, 2002, p. 192). When the actual price does not match the desired price, people resent the violation of the rules. For instance, a consumer may purchase a product with a determined price of “x.” Then his friend goes to the same place, on the same day, and purchases the same product for “x – 25%”. In this case, the consumer paid more than his friend did. As the purchase expectation and economic rules are not respected, the perception of justice will be shaken (Hoffman & Kelley, 2000; Maxwell, 2002). This specific perception of justice is called price fairness (Xia et al., 2004).

Therefore, price fairness is defined as the judgment of whether or not the outcome and/or process to reach the outcome is reasonable, acceptable, or just (Xia & Monroe, 2010). Xia et al. (2004, p. 01) stated that “the cognitive aspect of this definition indicates that price fairness

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