

The Influence of Familiarity and Transparency on Procedural Fairness Perceptions of Add-on Pricing

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Abstract

Selling optional add-ons in addition to a base product has become increasingly relevant for companies. While add-on pricing is widespread in some industries, others are just beginning to implement it. However, when implementing add-on pricing, firms may face consumers' rejections. The present paper aims to explore consumers' fairness perceptions and acceptance of add-on pricing. We conduct an experimental study to analyse consumers' procedural fairness perceptions of add-on pricing and its impact on purchase intentions. Our results show that consumers' familiarity of add-on pricing and transparency signals of the provider have a positive influence on procedural fairness perceptions. Moreover, we show that familiarity and transparency lead to higher purchase intentions of the add-ons mediated by the fairness perceptions.

Keywords: *Add-ons; Transparency; Fairness*

Track: Pricing & Promotions