

An Investigation of Consumers' Fairness Perceptions of Dynamic Pricing and the Influence of Product Category, Price Level, Price Position at Purchase and Magnitude of Price Changes

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Abstract

Digitalization is leading to major changes in the way sellers determine their prices. Today, dynamic pricing, which involves quick and frequent price changes for products, is one of the prevalent pricing strategies in online retailing. Surprisingly, only little is known about its consumer perception. In this light, we conduct two experimental studies to analyze consumer fairness perception of dynamic pricing and potential influencing factors. In Study 1 we find that consumers show lower fairness perceptions when faced with dynamic instead of static prices. We further show that this effect is mitigated when dynamic pricing is applied to products where consumers are already accustomed to this pricing. Study 2 reveals that the fairness perception also depends on whether a consumer purchased below, at or above the average price, which results from dynamic price fluctuations, and on the magnitude of the price change, i.e. whether the price fluctuations are low or high.

Keywords: *Dynamic pricing; Fairness; Perception*

Track: Pricing & Promotions