

The Influence of a Transparent Communication and Provision of Reasons for Price Changes on Consumers' Fairness Perceptions of Dynamic Pricing

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Abstract

Dynamic pricing is a widespread pricing practice in online retailing characterized by rapid price fluctuations. Yet, it is very opaque for consumers. Given the frequent price changes, consumers are no longer aware of when and how sellers change their prices. If consumers do not understand a seller's price setting, they generally show low perceptions of fairness. Negative fairness perceptions can have serious consequences for sellers. In two experimental studies we thus investigate whether transparency can influence consumers' fairness perceptions. Study 1 shows that a transparent communication of the use of dynamic pricing enhances fairness perceptions. Study 2 reveals that the additional provision of the price-determining factors leads to different inferences on the seller's motive which subsequently affect fairness perceptions. Competition-oriented dynamic pricing is perceived as fairest, while dynamic pricing based on consumer demand or personal characteristics is least accepted.

Keywords: *Dynamic Pricing; Transparency; Fairness*

Track: Pricing & Promotions