

The Influence of a Price Matching Guarantee on Consumers' Fairness Perceptions of Dynamic Pricing

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Abstract

Digitalization is leading to important transformations in the way companies do business. In particular, it has led to major changes in the sellers' price setting. Prices have become increasingly dynamic, which is known as dynamic pricing. For consumers, however, this pricing is unpredictable and thus leads to uncertainty and negative perceptions. Despite the severe consequences which negative perceptions can have for sellers, research on mitigating factors is sparse. Therefore, we propose price matching guarantees as a means to improve consumer perceptions of dynamic pricing. In two studies, we examine the effect of these guarantees and their design in the context of dynamic pricing. Study 1 shows that price matching guarantees increase fairness perceptions if a seller delivers on his guarantee promise. Study 2 provides insights into the nature of the guarantee, more precisely the type of refund. The results show that consumers perceive monetary refunds more positively than vouchers.

Keywords: *dynamic pricing; price matching guarantee; fairness perception*

Track: Pricing & Promotions