

PRICE DROPS, AND PRICE UNFAIRNESS PERCEPTIONS

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ABSTRACT

Price unfairness literature has established that price increases or promotions can affect price unfairness perceptions; however, the effect of permanent price drops on price unfairness perceptions has not received adequate attention. We examine the effect of post purchase permanent price drops on price unfairness perceptions and propose that reputation of company, and recency of purchase moderate the relationship between the depth of a price drop and price unfairness perception. We find that deeper price drops cause higher price unfairness perceptions. We also find that the positive relationship between price drops, and price unfairness perceptions is stronger for existing customers, who perceive high company reputation than those who perceive low company reputation. We conclude that the positive relationship between price drops, and price unfairness perceptions is stronger for customers, whose purchases are recent than those whose purchases are distant.

References Available on Request.