Information, Attribution, and Price: The Effect of Consumers Placing Responsibility for Prices on Consumers

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The consumer has become more and more powerful in the buyer-seller relationship, as a result of technological advances, availability of information, and increasing competition. Though it has always been acknowledged that the 'customer is king' and that they have the ultimate power to purchase or not, the power that buyers currently wield over sellers is increasing (Markillie, 2005). This availability of information has also facilitated price comparison from retailer to retailer for the same product.

Most people understand the basic premise of supply and demand, and realize the impact these factors have on prices (Bolton, Warlop & Alba, 2003). Yet, as a group, consumers rarely consider themselves as being to 'blame' for prices, despite their key role in the demand side of the relationship. This is because the control over the pricing process and the ultimate decision on a price has always (appeared to have) rested within the firm, with the exception of some specific types of sellers. Auctions are an obvious example where consumers drive the price, as are situations where demand is well known and widely reported (e.g. the introduction of the Toyota Prius). In general, however, consumers see the seller as the price-maker, and themselves as price-takers, and this assumption leads to judgments of the fairness of prices (Campbell, 1999a). These fairness judgments are based in part on the attributions of responsibility (see Kahnemann, Knetch & Thaler, 1986b; Campbell, 1999a and b) that consumers make about the prices.

But what will occur if and when consumers blame consumers, as a group, for prices? Our theory makes the novel prediction that when responsibility for the price is attributed to consumers as a group the price will be judged as more fair than otherwise. This paper examines the situation where consumers blame consumers for the price of a particular product or service. In addition, we test the effect of this type of attribution on price fairness, willingness-to-pay (WTP) and purchase intention. These variables were chosen because of their link to previous

research (e.g. Maxwell, 2002) and their strong link to behaviour and practice. In addition, we extend previous work on attribution theory by examining source credibility as an antecedent within the context of consumers attributing blame to consumers.

Consumer reaction to price is a critical factor within the larger field of consumer behaviour, as it can affect the revenue generated by a firm. A poor pricing strategy not only hurts revenue, but can also generate ill will on the part of consumers, especially if responsibility for an unpopular price rests with the seller. The work here contributes to existing knowledge by looking beyond the firm as the focal point for responsibility, as previous papers have done; adding the consumer as a potential object of blame for prices extends previous work and takes consumer research into a new area.

Theory and Conceptual Model

Attributions, according Heider (1944, 1958), are how people make sense of the actions of others through the assignation of causes for those actions. These attributions can be affected by biases, including the *discounting principle* (Kelley, 1967): in the presence of multiple potential explanations for an event, each explanation carries less weight than if it were the only one. The discounting principle has important implications for issues of source credibility (Sparkman, 1982): if the source is seen to have an ulterior motive, the message may not be accepted by the recipient, at least not in its intended form.

This makes it very difficult for sellers to provide information about their own products or prices, as they are generally seen as having an ulterior motive (Folkes, 1988). Interestingly, *any* information provided that is perceived as sincere will mitigate this source credibility problem (Hunt, Domzal & Kernan, 1982). Along with motivation and beliefs, Folkes (1988) listed information as an antecedent to attributions and possible means of manipulating or changing the

causal chains leading to specific attributions. In fact, it is the information available that will cause us to make one attribution over another, and exposure to greater or different information can change attributions (Jones & Davis, 1965; Kelley 1971). As an example, if a product is purchased and it fails, there can be a tendency to blame the manufacturer or the seller. If there exists information that the product was used incorrectly, that attribution can be changed.

The present research concerns attributions of responsibility made towards the group to which one belongs (consumers). There is a limited amount of work within the field of attribution theory regarding 'self-attributions' (e.g., Bem, 1972). The other key aspect of attribution theory concerning attributing events internally is the so-called egocentric bias. This bias, as explained by Heider (1958) states that, ceteris paribus, negative events tend to be attributed externally and positive events tend to be attributed internally.

Attribution theory and price fairness have been studied together for quite some time, leading to a number of important research findings (see Kahnemann et al, 1986 a and b; Campbell, 1999 a and b, Maxwell, 1995; Vaidyanathan & Aggarwal, 2003; and Bolton et al, 2003 for examples). The connection has its roots in dual-entitlement (DE) theory (Kahnemann et al, 1986a), which explains that while consumers consider themselves entitled to a reference price, sellers are entitled to a reference profit. DE theory has also been shown to be influenced by information about the motivations of sellers. Moreover, if the seller is not seen as having control over the prices charged, they are not held responsible for the resulting price.

In the existing literature, WTP (also called a reserve price) is defined as the maximum price a consumer is willing to pay for a given product. It has been found that WTP can be affected by various factors (e.g. expectations – Thaler, 1985; price level – Nunes & Boatwright, 2004; random anchoring prices – Simonson & Drolet, 2004). Typically, the WTP amount is

formed through exposure to existing prices for the same or similar goods and adjusted when new information is provided (Nunes & Boatwright, 2004; Simonson & Drolet, 2004). When the price for a product exceeds a consumer's WTP, purchase is far less likely (except in cases of immediate need); however, that experience may adjust WTP for future reference. Purchase intention, the other dependent variable used, has often been researched. In this instance attribution plays a role in purchase through its influence on price fairness (Xia, Monroe & Cox, 2004). Price fairness and justice have been determined to be antecedent to purchase (Maxwell, 2004). The model derived from the above theory and tested below can be seen in Figure 1.

This model details a moderating relationship of source credibility on how the information has been perceived, depending on whether the source is considered to be biased or unbiased, based on the discounting effect explained above. It also postulates that price fairness mediates the relationship between responsibility (on consumers or on the firm) and WTP and purchase. Also, because price fairness is related to value (a price is fair if it represents value; Xia et al, 2004), purchase intention will change as those value judgments change. The following experiment was conducted to examine how attributions of responsibility related to fairness, WTP, and purchase, and how source credibility changes how the attributions are made.

Study and Results

One hundred seventy-seven subjects participated in this study for course credit. Participants were randomly assigned to one of 6 experimental cells in a 3 (responsibility for the price: no one/firm/consumers) by 2 (source of information: impartial – university professor; biased – company spokesperson) full factorial design. Subjects were asked to read an article about a new (fictional) product, a sporting good called the *T-Ro*, and its price ($29.99, which was based on the actual prices of comparable sporting goods). The article discussed the popularity

that the product enjoyed overseas the previous year, and concluded with a discussion of the difficulty of pricing a new product. In most of the conditions (other than those in which no responsibility was placed), a final quote was included from the information source: "In this case, the price of *T-Ro* was entirely due to expected [profit/demand] for the product, and $29.99 reflects that [company/consumer] influence." After reading the article, subjects were asked a series of questions, assessing purchase intention (one item), price fairness (five-item scale, reduced to four items, $\alpha = 0.872$, all items load at .72 or higher), WTP (one item), and attribution of responsibility (one item, a points-allocation scale).

The manipulation check was significant in the professor (impartial source) condition, with responsibility allocated to the consumer rising when the blame was placed on that group ($p < 0.01$). There were no significant differences between the control and company-responsibility conditions, which seems to indicate that holding the selling firm responsible is a 'default' position, and that not specifying a responsible party leads to the assumption that the firm is to blame[1]. There were no significant differences in allocated responsibility between the spokesperson (biased-source) conditions.

The relationship between price fairness and WTP/purchase was supported, such that as perceived price fairness increased both willingness to purchase ($p < 0.001$) and WTP also increased ($p < 0.001$). However, it was found that WTP fully mediates the relationship between fairness and purchase, as fairness as a predictor becomes marginal when WTP is added to the same model ($p < 0.08$ for $\beta_{fairness}$).

As far as the attribution elements go, increased responsibility placed on the firm resulted in lower perceived fairness and lower intention to purchase ($p < 0.01$ for both). However,

[1] As no significant differences existed between them, the control and firm-responsibility conditions were collapsed and they are labeled as 'firm' for the remainder of the analysis.

fairness completely mediates the relationship between firm responsibility and WTP (company-responsibility is insignificant in the expanded model) and firm responsibility also washes out of the purchase-intention model when consumer responsibility is introduced. This results in firm responsibility only having a direct effect on fairness.

The results for responsibility of consumers as the independent variable were similar, with the only difference being that the relationship with price fairness was marginal ($p = 0.08$). The effect of attribution of responsibility of consumers on WTP is completely mediated by fairness. The effect purchase is significant ($p < 0.01$) and partially mediated by WTP. Figure 2 shows the supported and marginal relationships.

The effect of source of information was a moderating one; specifically, when the source was biased (company spokesperson), the effect of information on attribution was reversed (see Figures 3 and 4 – for the interaction, , $p_{company} < 0.05$; $p_{consumer} < 0.05$). What is found is that while the unbiased source produced results as expected, with information about consumer responsibility leading to subjects attributing responsibility to consumers (and likewise for the selling firm), when the biased source provided the same information, subjects did the opposite of what the information indicated. In other words, when the company spokesperson placed responsibility on the selling firm, respondents did so to a lesser extent than when the spokesperson claimed the consumers were responsible (and vice versa).

Discussion

The results paint a picture of consumer-attribution as having an effect on the dependent variables, both supporting previous research and the novel theory of consumer-attribution. The other interesting findings here are the mediated and moderated paths. That fairness completely mediates any attributional relationship leading to WTP is a new finding, and indicates that

changing attributions alone will not lead to higher WTP. Given that WTP has been linked to reserve price (Nunes & Boatwright, 2004), our results suggests that reserve prices may be revised as perceptions of price fairness change. To the extent that reference prices are the benchmarks by which other prices are judged fair or unfair, our results suggest that judgments of fairness can change the benchmark.

The finding that fairness did not fully mediate the relationship between the attributions of responsibility and purchase becomes of greater interest in light of the fully mediated finding where WTP was the dependent variable. Here, both fairness and attribution are determinants of purchase, and the attribution judgments have a direct effect on purchase, but not on WTP. One potential explanation for this is that WTP is more closely related to the product, and the value judgments of it. On the other hand, purchase incorporates the value of the product as well as features of the seller; therefore, if there is any ill will towards the seller (possibly based on attributions of blame), purchase intention will be affected.

The moderating effects of source credibility demonstrate an important boundary condition: not only is the information discounted if the source is seen to be biased, but there is also an adverse reaction. This result is consistent with the discounting principle. Rather than simply discounting (and ignoring) the comment by the spokesperson, it appears that ill will may have been generated and the respondents may be 'punishing' the company for placing the blame on consumers. When there was no bias or ulterior motive, the respondents took the exact same information at face value and made their attributions accordingly. Another interesting aspect to this finding is that when the spokesperson placed the responsibility for the price on the firm, subjects actually attributed less responsibility to the firm than when the professor makes the same claim. It may be that either people simply do not believe what the firm (through its agents)

is telling them, or the fact that the firm is willing to admit its responsibility for prices somehow mitigates the blame that consumers will place on it (e.g., goodwill is generated through apparent honesty and the admission causes consumers to process this information rather than automatically assume firm responsibility).

Future Directions and Implications

This study represents a first step towards a better understanding of the effect that consumers' attributing blame to consumers has on perceptions of price and behavioural intentions. Building on the finding that source credibility interacts with the object of responsibility, in future research it would be interesting to further explore the effect of other information sources. For example, what would be the effect when a consumer advocate blames the selling firm or consumers for prices? Kelley's (1971) attribution augmentation principle suggests that the blame on consumers will be even greater if 'one of their own' places price responsibility on consumers. Potential boundary conditions include the nature of the product or service in question, different price ranges, channel of purchase, and brand equity. The nature of the information provided, upon which these attributions are made, is also of interest. Discovering which types, amounts, and formats of information will be effective is another potentially fruitful area of study.

From a strategic standpoint, a firm could create a competitive advantage if they can persuade their clientele that the control over pricing belongs to the shopper, and not the seller. In the current business environment, where technology has allowed firms to change prices more frequently, it is important to understand that the consumer ill will can result from price fluctuations. With these advancements also comes the opportunity to present information that can help mitigate the factors causing this ill will. Dynamic and unconventional pricing systems

are proliferating on the internet and elsewhere, but little research has been done in the area beyond the logistics of how it can be implemented. This research could fill in some of the gaps in our understanding of consumer reaction to new pricing processes and systems.

In this paper we have examined the notion that consumers can and will blame themselves (as a group) for prices, and that this attribution affects (directly or mediated through price fairness) probability of purchase and WTP. In addition, the source of the information, if perceived to be biased, can actually produce the opposite of the desired result. In sum, if sellers could make consumers feel more like participants in the pricing process and less like price-takers, they may benefit. If the consumer feels that he or she is at the mercy of the seller with regard to price, the seller may be limited in its own ability to sell and to get the maximum price possible for the good or service.

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Figure 1 – Conceptual Model

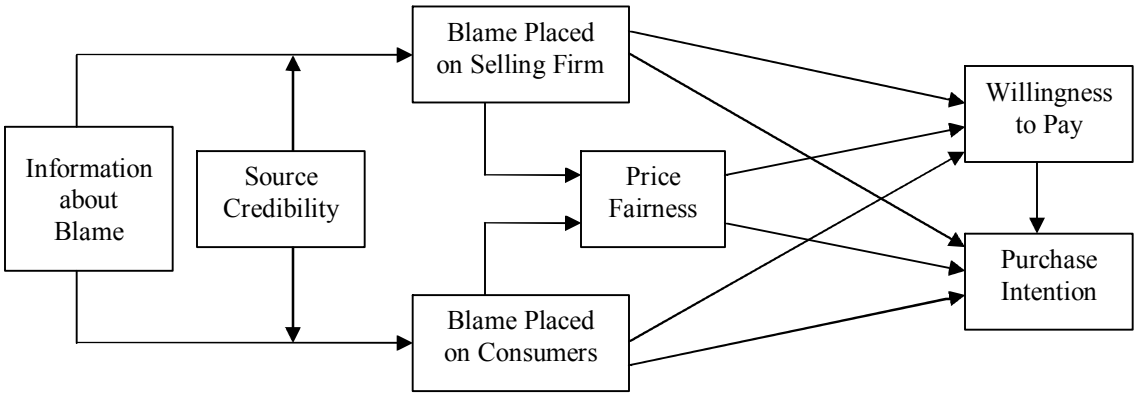
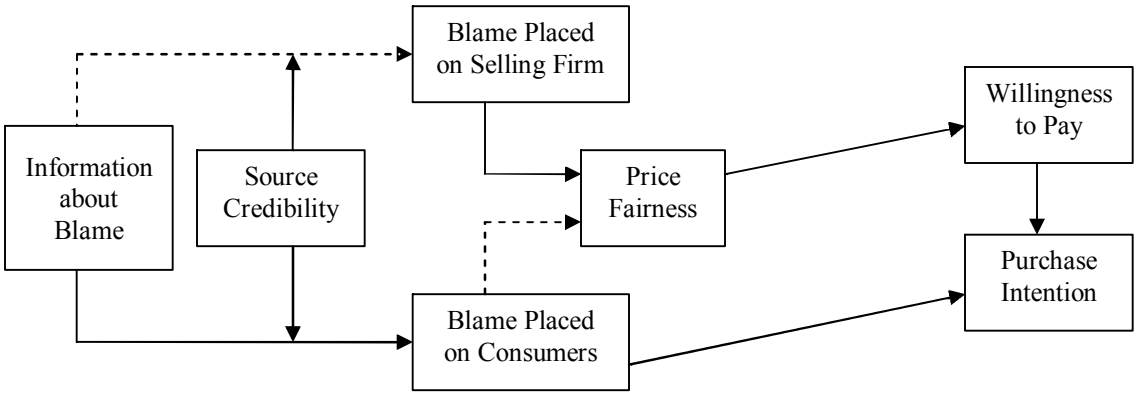


Figure 2 – Supported Model



Solid Line – Significant relationship
Dashed Line – Marginal relationship

Figure 3 – Interaction of Object of Blame and Source of Information on Blame Placed on the Consumer

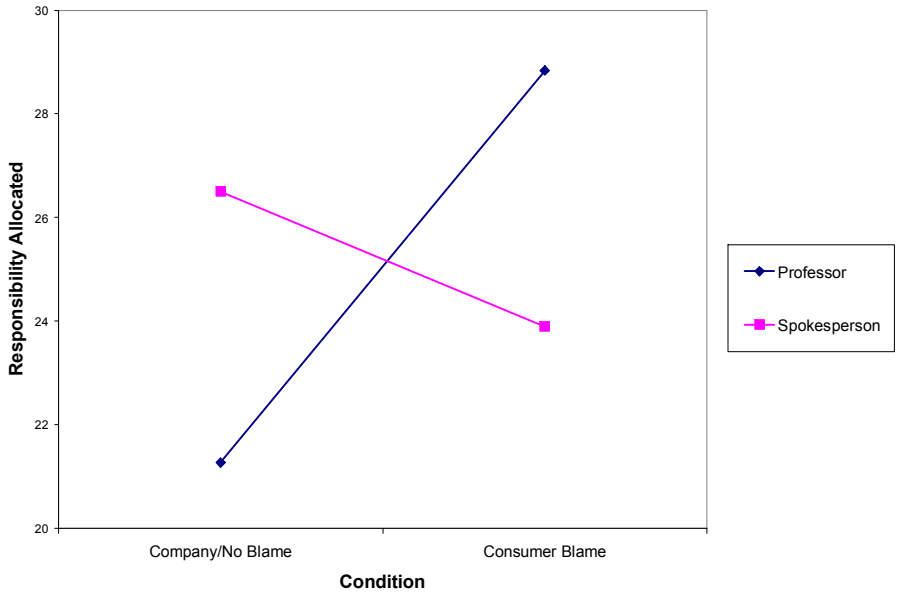
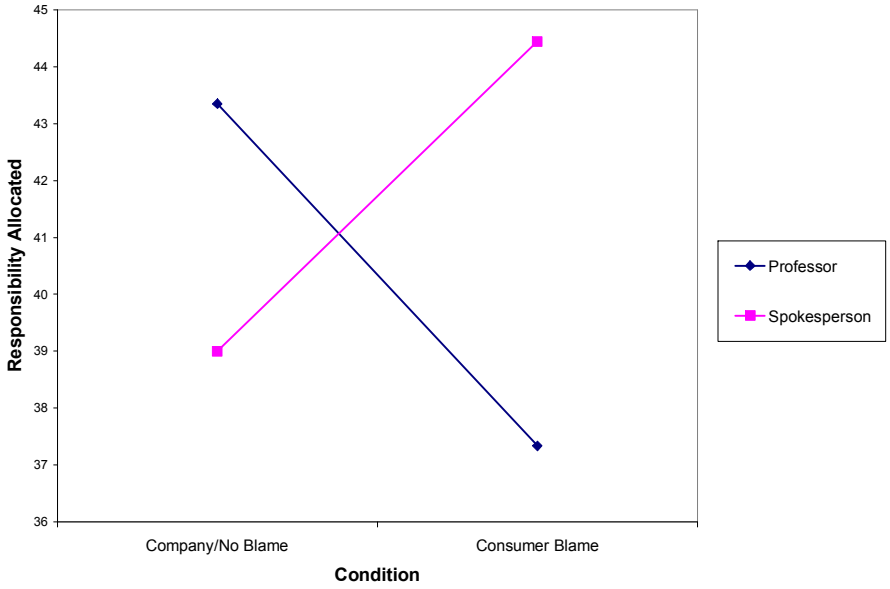


Figure 4 – Interaction of Object of Blame and Source of Information on Blame Placed on the Selling Firm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Responsibility Allocated
Company/No Blame
Consumer Blame
Condition
Professor
Spokesperson