How do consumers respond to prices?

My research examines how consumers view prices when businesses increase prices, such as in situations where the firm’s costs have increased or when natural disasters limit the supply of products. Even though consumers understand there are times when businesses need to increase price in order to maintain current profit levels, they may still view the price as unfair.

What do you mean when you say, “fair price?”

The consumer determines the price of a product or service as either fair or unfair by comparing the offered price to a “comparable other.” This means that the consumer may assess the price in comparison to a previously paid price, the price a friend or relative paid, the price another store offered, etc. My research has found that when firms set prices using socially acceptable price-setting practices, prices are viewed as more fair. On the other hand, if a consumer is suspicious that a firm has negative alternative motives (e.g., to earn a higher profit margin at the consumer’s expense), the price will be viewed as more unfair.

Why should firms care if consumers view a price or a price setting practice as unfair?

Firms need to be aware of consumers’ perceptions of price. Consumers who think a price is unfair or misleading can spread negative word-of-mouth to others. Social media has exasperated this phenomenon. Consumer perceptions of price unfairness could result in lost sales and damaged reputation.

How can firms that are forced to raise prices prevent negative consumer response?

One approach that may reduce negative response is to alert consumers to price increases before they take effect. Starbucks has utilized this price transparency strategy. Twice in the last five years, Starbucks has informed customers of coming price increases in advance and it seems consumers have responded less negatively to their price increases due to the company’s openness with them. Transparency and communication are important. Today’s consumers are informed and have access to lots of media, so it is in the firms’ best interest to explain the reason for the price increase and to mitigate consumer suspicions.

What is consumer privacy and why is it important?

Consumer privacy concern describes an individual’s concern over the improper use and management of personal information collected by a firm. Consumer privacy concern may be determined by the individual’s characteristics and personality traits, and may help to explain participation in privacy-related consumer behavior, such as providing information for grocery loyalty cards.

What trends do you see in area of consumers’ personal information?

Several states, including Virginia, are starting to implement the conversion of paper records to electronic healthcare records (EHR). The goal of the EHR is to improve patient safety, reduce errors, and reduce costs. Some consumers are worried about privacy breeches associated with having their personal information widely accessible by multiple sources. Initial findings of my research conducted in conjunction with Georgia State University have revealed that consumers who have lower consumer privacy concern levels are more supportive of the HER and are more willing to have their personal information included in the EHR.