Is the Price Fair? How Intangibility Reduces Price Fairness Perceptions

Ann M. Mirabito ann_mirabito@baylor.edu
Mona Sinha msinha1@kennesaw.edu
Haipeng (Allan) Chen allanchen@uky.edu

ABSTRACT

While the vulnerability of service offerings to price unfairness perceptions has long been recognized, most price fairness research has been conducted in the context of goods. Thus far, the few empirical studies have yielded inconsistent findings about the relationship between the goods/services nature of products and price fairness perceptions. This research addresses two gaps in the emerging empirical work on price fairness in the context of services: Which characteristics of services promote price unfairness perceptions? And what are the mechanisms that create those perceptions? We extend the existing research by demonstrating that of the four other key characteristics of services: intangibility, heterogeneity, inseparability and perishability, it is intangibility that diminishes price fairness perceptions. Drawing on the fairness and services literatures, we develop a framework showing how intangibility diminishes consumers’ perception of value derived from a service, and heightens concerns about the reasonableness of seller profit. Thus, we demonstrate how value and seller profit mediate the influence of intangibility on price fairness evaluations. The framework is supported in a series of three studies. Our findings offer directions to managers crafting value propositions for services or products that are marked by intangibility.

Keywords: Price fairness; Value; Seller Profit; Intangibility; Services

Author Information:

Ann M. Mirabito (Ann_Mirabito@Baylor.edu, telephone 254-710-3914) is Associate Professor, Marketing Department, Baylor University, Waco, TX 76798.

Mona Sinha (msinha1@kennesaw.edu, telephone 470-578-2997) is Associate Professor, Marketing and Professional Sales Department, Michael J. Coles College of Business, Kennesaw State University, Kennesaw, GA 30144.

Haipeng (Allan) Chen (allanchen@uky.edu, telephone 859-257-8936) is Professor & Gatton Endowed Chair in Marketing, Gatton College of Business and Economics, University of Kentucky, 550 South Limestone, Lexington, KY 40506-0034.