



MARKETING INSIGHTS FROM A CHANGING ENVIRONMENT

Bruno Grbac
Dina Lončarić
Jasmina Dlačić
Vesna Žabkar
Marko Grünhagen

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PREFACE

We live and work in a constantly changing environment. This is widely recognized among professionals, as well as scholars. However, what remains unclear is how to adapt to fast and constant changes. One option in order to overcome this gap between current and changing market conditions is to possess a vast knowledge of the market. Authors' interest is to explore how participants in intensive dynamic market environment react both on demand and supply sides, as well as on consumer and business to business markets. Furthermore, the aim was to explore possibilities and offer different answers on challenges identified in a dynamic environment as well as to stimulate knowledge transfer.

In this dynamic market environment managers' aim is to explore, fulfil and even surpass customers' expectations. In order to accomplish this aim, managers should acknowledge and manage changes on that market. On the other side, customers on consumer market as well as on business to business market are encountering different challenges that derive from new technological solutions.

Authors are well aware of present challenges and have embraced the responsibility to offer, based on their own research, several possible responses. Moreover, these solutions build on a marketing perspective, which is reflected in the book's title, "Marketing insights from a changing environment".

Research is presented in four diverse parts. In first part e-marketing in the tourism sector is researched. The second part is oriented towards sustainable marketing practices. The third part deals with customer reactions, and the fourth part explores marketing strategies.

The title of the first part is "**Internet and tourism market**". In this part authors discuss use of internet marketing emphasising the role of information presented through DMO websites as well as they point out need for efficient use of DMO's internet marketing communication. Also, authors assert that companies using ICT in tourism should develop their communication base on web 2.0 principles.

The first paper authored by Dina Lončarić, Lorena Bašan and Maja Gligora Marković titled “Information search behaviour - Is there a gap between tourist needs and DMO website performance?” explores information flow between tourists and Destination Management Organisations (DMOs). Global competition and technological development pose challenges to the tourism industry, and call for adjusting to trends in the marketing environment. To efficiently position a tourist destination on the global market, create its image and attract tourists, DMOs need to understand tourist information search behaviour and implement information and communication technology in promoting the destination. In this paper, the authors present research results in the domain of tourist information search behaviour and tourist destination web marketing. Research is focused on establishing the importance of individual types of information, posted on destination websites, to tourists in the travel planning phase. The paper investigates what types of information are important to tourists in selecting a destination. Parallel to this, the performance of Croatian DMO websites is analysed. Importance-Performance Analysis is used to determine the gap between the importance of information to tourists in the planning phase and the situation found in practice. The results of the analysis indicate a possibility of making improvements in the field of tourist destination web marketing to ensure that it meets market demands.

“Technology-driven e-marketing model of Croatian tourism product with an emphasis on web 2.0 potentials” by Branimir Dukić, Ivan Ružić and Stojanka Dukić is the title of the second paper in which the authors argue that for the past twenty years, modern information and communication technology (ICT) has been developing at an increasing rate, changing the basic principles of business operations. In regards of marketing in tourism, ICT offers vast possibilities for improving the efficiency of business, which is of great importance for the Croatian tourism as a development driver. In order to examine the possibilities of ICT in tourism, it is necessary to examine a general conceptual model of harmonizing the optimal e-marketing of the Croatian tourism product with the development of information and communication technology, in particular Web 2.0. A survey about the state of e-marketing in the Republic of Croatia helped to understand the potential of application of the conceptual model of e-marketing of the Croatian tourism product. The insights gained through the survey were used to generate a model of e-marketing of the Croatian tourism product, taking into account the current level of ICT development, especially Web 2.0.

The key issue of Iva Slivar's paper entitled "Model of optimisation of DMOs marketing communication via internet" is related to indirect conversion of DMOs i.e. measuring and optimizing communication strategies of DMOs and linking the effects of campaigns carried out by the DMO with business results of tourism products' providers. A conceptual model based is proposed that could solve the identified problem. Based on the results of a survey, DMOs importance was high graded. This paper contributes to conversion studies in destination marketing. The proposed model, with a contribution to optimisation of online as well as offline marketing campaigns, also contributes to the important task of DMOs: justifying to stakeholders the part of budget spent on marketing communications regardless of their involvement in sales. Unlike affiliate marketing programs - that focus on optimizing one subject involved in sales, this model allows taking into account sales of the entire system.

The second part is titled "**Environmental attitudes of modern consumers**" in which authors point out that environmentally friendly behaviour is present both at the individual level as well as on company level and in different industries. Their findings stress that reactions that are oriented towards preserving the environment are under different influences that stimulate individuals' reactions.

Three authors, Bruno Grbac, Ana Težak Damjanić and Ksenija Vodeb in the paper titled "Factors influencing decision making in tourist market: Interaction of environmental attitudes and tourist travel motives" examine the relationship between environmental attitudes of tourists measured by the New Environmental Paradigm and travel motives. The relationship between environmental attitudes and travel motives was determined by using regression analysis. The NEP scale was used as a composite measure. Using the theory of push and pull motivational factors through factor analysis the dimensions of travel motives were determined. A total of two push and three pull motivational factors were determined using principal factoring analysis. This research confirms relationship between travel motives and environmental attitudes of tourists. The results have also confirmed a tendency for respondents to have positive environmental values, and mixed results when it comes to anti-environmental orientation.

Green consumers are explored in paper "Developing green attitudes among young consumers – Ensuring environmentally friendly behaviour" by Jasmina Dlačić, Milena

Micevski and Selma Kadić-Maglajlić. They point out that values formed in the early age guide individuals through the decision making process. Past research has indicated that the relationship of values to behaviours should be investigated in the context of mediating variables such as attitudes. In this study they explore which of the proposed basic values, i.e. universalism, benevolence, traditionalism and materialism shape Generation Z's environmental attitudes and how these affect environmentally friendly behaviour. Their findings confirmed that certain general values, such as universalism and benevolence positively influence green attitudes, whereas materialism had a negative effect on green attitudes. The adoption of green attitudes positively affects the willingness and the ability to act in an environmentally friendly manner which in turn both positively affects the environmentally friendly actions among pupils. The findings of the study have important implications for education policy makers as attitudes and values can be refined and shaped during early age through educational system. Therefore, authors stress out the importance of formulating appropriate actions towards increasing pupils green attitudes to enhance environmental sensitivity among these future citizens.

“Sustainability marketing in Croatia” was the interest of Dubravka Sinčić Ćorić and Nenad Matić. Since its first appearance, the term “sustainability marketing” raises interest among academics and practitioners. Although present for nearly thirty years, it is believed that the practice is still embryonic. In this paper authors firstly present the evolution and theoretical background of the concept of “sustainability marketing”, and then they show the results of the analysis of the level of implementation of sustainable marketing practices in companies operating on the Croatian market. In-depth interviews have been conducted with marketing managers in companies that were leaders in application of sustainability marketing in Croatia, and their responsibility was implementation of sustainability strategies. Qualitative data were analyzed by the content analysis, triangulation and opinion grouping. The results indicate that managers’ report strong positive relationship between implementation of sustainability marketing in their companies and its increased competitiveness.

Consumers’ reaction on services quality is the focus of third part. Authors point out that emphasising service quality is present both in public sector institutions as well as in private companies. Furthermore, they also stress that both quality as well as price

ing strategy included in company strategy serve to consumers as guiding lights in their decision-making process.

In the paper “Measuring service quality in Croatian restaurants: Application of DINESERV scale” Suzana Marković, Jelena Komšić and Jelena Dorčić investigate the service quality expectations and perceptions of guests in Croatian restaurant settings among three different samples gathered during the period of the past six years. One of the main objectives of the research was to identify the factor structure of expected and perceived restaurant service quality and determine potential differences between surveys conducted in 2007 (Opatija Riviera), 2010 (City of Rijeka) and 2013 (City of Zagreb). Data were analyzed using descriptive statistics, exploratory factor analysis and reliability analysis. The research provides reliable and comprehensive information for both academics and practitioners. The results of the present research contribute to the existing knowledge of restaurant guests’ expectations and perceptions, since there is a lack of empirical studies that report comparisons of expected service quality in restaurant settings over a period of time.

“Determinants in price decision making process - Information availability and consumer loyalty” were the interest of Bruno Grbac and Karlo Benas’ paper. Their research paper investigate effects of pricing information availability and consumers’ loyalty to the seller. Pricing strategy is an important part of overall business strategy, and price information represents important element in consumers’ buying decision process. Pricing strategy is an important part of overall business strategy, and price information represents important element in consumers’ buying decision process. Using experimental research design with different scenarios related to contexts of dynamic pricing and price bundling, valuable data was obtained from subjects in Croatian market. It was shown that providing information regarding reasons for price setting or change, as well as feeling loyal to the seller had an impact on consumers’ price fairness perception. Desk research findings are laid forth and integrated, methods used to conduct field research explained and results discussed and compared with previous research where possible. Also, limitations of conducted research and incentives for future research directions are laid forth.

Mirna Leko Šimić and Helena Štimac in their paper “Higher education service quality: Students’ perceptions and satisfaction during study period“ analyse the problem of decreasing students’ satisfaction with the education service quality at one of the public higher education institutions in Croatia. The problem is even more serious if it is taken into account that it is a business school and in this area the competition of both public and private institutions is very high. The research consists of two parts. The first part is the analysis of students’ evaluations of different aspects of education service quality at the institution and its comparison in different years of study. The second one is the analysis of students’ motivation for choosing the particular institution. The research results show significant deterioration of service quality during study period within all three extracted factors in the analysis: acquired knowledge, academic and non-academic staff and organization of study. At the same time, the expectations (in this study defined as motives) remain stable regarding program quality and image and reputation of the institution, but are significantly decreasing regarding employability. Also, “negative” motives – second choice institution, location, and study costs are gaining on importance.

The last part is titled **Responses to dynamic changes**. As well as for other companies it is also acknowledged that SME’s performance is affected by economic downturn. But, some capabilities and factors that SME’s possess contribute to adapted reaction in dynamic environment. Nonetheless, advertising should also not be neglected.

As the interaction between the internal and external environment, mostly through (re)definition of marketing strategy, is generally considered to be crucial for a success of a business entity. The study “Impact of Internal and External Factors on SMEs Marketing Strategy and Performance in Crisis” has been carried out by the authors Daša Dragnić, Ljiljana Najev Čačija and Ivana Marasović to determine that specific impact. The research is of multi-sectoral structure and was conducted on the target sample of fast-growing SMEs in Croatia, as representatives of prior to crisis successful SMEs. The analysis of defined variables is largely based on primary data, collected by the structured questionnaire, but research also encompassed some official secondary data. Quantitative and qualitative methods were used, univariate and multivariate analyses and the relevant tests of significance for the dependant and independent variables. The research results confirmed that, in conditions of crisis, eleven out of twelve analysed environmental factors significantly influence SMEs marketing strategy and/or performance, particularly

“product innovation”, “autonomy”, “type/importance of goals”, “sector” and “customer type”.

“Dynamic capabilities and performance of the exporting SMEs during economic downturn” is the title of Dario Miočević and Katija Kovačić research paper. Mainstream strategy research indicates that firms with superior resources and capabilities are awarded with success in the market. However, the contemporary literature offers scarce evidence in this regard. The goal of this study was to inspect whether market-sensing and innovation dynamic capabilities (DCs) exhibit positive impact on the exporting SME’s performance during recent economic downturn (2008-2011). The theoretical framework was developed by using tenets of organizational learning theory and resulted in three research hypotheses. In empirical part, partial least squares (PLS) methodology was employed for testing the model. The results confirm direct and indirect (complementary) effects between DCs and performance. This study contributes to the literature by suggesting that strong learning effects significantly enhance the exporting SME’s competitiveness in international markets.

In the paper “TV advertising to children: Single, multiple repeated and multiple diverse ad exposures” Mateja Marincel and Ivana First Komen investigated whether advertisement repetitions and versatility of advertisements influence children’s advertised brand’s recollection, brand preference over a competing brand and brand desire differently. The design of the study was experimental, so that 150 children of the age 8-10 divided into four groups were shown a cartoon both uninterrupted, interrupted with one, three repeated, or three different advertisements for the same brand and afterwards anonymously asked for advertised brand recollection, competing brands’ preference and category brand desire. The results showed that advertising influences brand preference and brand desire; however, neither multiple (as compared to single) advertisement exposure nor exposure to varying advertisements (as opposed to a single ad repeated exposure) lead to increased brand recollection, brand preference or brand desire.

After all, the editors wish to thank authors for their tremendous effort as this project is collaborative endeavour, requiring help and support of many individuals. They have made independently and/or as a member of a research team great contribution in gathering knowledge on changing marketing environment and providing insights from

various perspectives. Their co-operation is invaluable. We are convinced that readers of this book will find it useful in improving their understanding of trends identified in changing marketing environment. So, enjoy in broadening your knowledge.

Editors

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Jasmina Dlačić

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CONTENTS

FIRST PART: INTERNET AND TOURISM MARKET

1. Dina Lončarić, Lorena Bašan and Maja Gligora Marković:
Information search behaviour – Is there a gap between
tourist needs and dmo website performance?..... 3
2. Branimir Dukić, Ivan Ružić and Stojanka Dukić:
Technology-driven e-marketing model of Croatian tourism
product with an emphasis on web 2.0 potentials..... 24
3. Iva Slivar:
Model of optimisation of DMOs marketing communication
via internet..... 52

SECOND PART: ENVIRONMENTAL ATTITUDES OF MODERN CONSUMERS

4. Bruno Grbac, Ana Težak Damjanić and Ksenija Vodeb:
Factors influencing decision making in tourist market:
Interaction of environmental attitudes and tourist
travel motives 65
5. Jasmina Dlačić, Milena Micevski and Selma Kadić-Maglajlić:
Developing green attitudes among young
consumers – Ensuring environmentally friendly behaviour 85
6. Dubravka Sinčić Ćorić and Nenad Matić:
Sustainability marketing in Croatia 110

THIRD PART: CONSUMERS REACTION ON SERVICES QUALITY

7. Suzana Marković, Jelena Komšić and Jelena Dorčić:
Measuring service quality in Croatian restaurants:
Application of DINESERV scale 131
8. Bruno Grbac and Karlo Benas:
Determinants in price decision making process –
Information availability and consumer loyalty 162
9. Mirna Leko Šimić and Helena Štimac:
Higher education service quality: Students’
perceptions and satisfaction during study period..... 184

FOURTH PART: RESPONSES TO DYNAMIC CHANGES

10. Daša Dragnić, Ljiljana Najev Čačija and Ivana Marasović:
Impact of internal and external factors on SMEs marketing
strategy and performance in crisis 199
11. Dario Miočević and Katija Kovačić:
Dynamic capabilities and performance in exporting SMEs
during economic downturn 233
12. Mateja Marincel and Ivana First Komen:
TV advertising to children: Single, multiple repeated and
multiple diverse ad exposures 255
- Contributors 274



CONSUMERS
REACTION
ON SERVICES
QUALITY

DETERMINANTS IN PRICE DECISION MAKING PROCESS - INFORMATION AVAILABILITY AND CONSUMER LOYALTY

BRUNO GRBAC
KARLO BENAS

INTRODUCTION

There is increasing amount of evidence that belief systems consumers construct, taking different informational cues into consideration, carry important implications for the way they perceive and react to events in the market. Informational cues regarding price and price change represent one such event for the consumer, with implications for buying decision making process and with strong possibility of negative outcomes for businesses that tend to neglect this kind of happenings, occurring after pricing a new product or changing the price of an existing product (Feurer et al. 2012; Xia et al. 2004). While discussing price Hollensen (2010, pp. 432-433) outlined several important characteristics of price, most importantly price being the only part of marketing mix that actually generates revenue and also affects the quantity of products sold through its influence on demand. Moreover, price is the only element of the marketing mix that can be changed rapidly without substantial cost consequences. Notion that prices are easy to change should not be interpreted that most businesses do well while setting prices. Many manufacturers, wholesalers, and retailers willingly acknowledge that they in reality spend more time worrying about price than they do actually managing pricing strategy (Ferrell and Hartline 2011, p. 231). Quality pricing strategy is complex and while it includes many elements for consideration, one part businesses often neglect is full consideration of consumer response concerning perceived price.

Empirical data from several research lines point to close connections of price perception and consumer satisfaction and loyalty. Herrmann et al. (2007) showed positive impact of price fairness on customer satisfaction and study from Kaura (2012) addition-

ally confirmed these findings with research conducted in banking industry. William et al. (2009) investigated price fairness in retail context and concluded that there was a positive effect of loyalty when price increases were low, while there was no such effect when price increases were high. It was shown through interdisciplinary research, as of lately also utilizing neuroscientific and neuroeconomic methods, that consumers tend to have strong emotions as well as reactions in response to having perceived as being treated unfairly or unjustly which could lead to bad mouthing producer or the salesplace, purchase intentions, abandoning the brand altogether, with loss of credibility and revenue as final result for businesses (Bolton et al. 2003; Xia et al. 2004; Campbell 2007). Perception of being treated unfairly may also happen even if there was no deliberate intention on the behalf of the business decision maker and since it is considered complex subjective phenomenon, it is important to research all possible contexts, factors and reference points consumers tend to rely on when inferring fair or unfair treatment (Campbell 2007; Konow 2005). While many businesses are still struggling with issues related to global financial crisis and its observable consequences on local market dynamics, fairness and closely related concepts of equity, justice and moral behavior are increasingly emerging as important research questions in economic proceedings (Nguyen and Klaus 2013).

Differentiating types of fairness is still a matter of academic debates, and informational fairness as separate and independent type is still being considered (Colquit 2001; Hess and Ambrose 2005; Badawi 2012). Nevertheless, informational context in which businesses operate and importance of information available to consumers has been shown and implicated through previous research, so there are strong indications that this could also be the case in the more specific context of pricing. When customers don't have information about certain procedure, they make inferences about it, taking the outcome into consideration. Thus, if they perceive the price level is unfair they are more prone to infer that procedure used to calculate the price is also unfair (Catoiu et al. 2010).

In addition, modern versions of pricing strategies such as dynamic pricing and price bundling along with its variations and models, need further elucidation regarding its relations to consumers perceptions, loyalty and purchase decisions, leading to differential sales and profitability as well as influence on sellers' reputation. Dynamic pricing, defined as fluid and frequent setting of prices according to changes in supply and demand,

has benefits in enabling businesses to price discriminate on a very fine level often down to individual customers. With advances in informational technology, purchase data on which it is based is becoming more readily available today but marketers should also be aware of limitations and possible side-effects of using this strategy unprepared (Nagle et al. 2011). Research findings suggest that there is possibility of (un)fairness perceptions and negative effects associated with setting prices in dynamic pricing context, so investigating these issues related to fairness perceptions is important (Haws and Bearden 2006). Similarly, price bundling is another price setting strategy in need of further clarification regarding price fairness and related influences. Price bundling is a price setting strategy which brings together two or more, usually complementary, products for a single price, while price partitioning relates to specifying separate price for each product in question. Often, bundled price is lower than if business decided to sell the products separately (Ferrell and Hartline 2011) but this may not always be the case. Connected to strategies of bundling and partitioning Sheng et al. (2007) conducted several experiments and stated that customers' perceived fairness, associated with bundling and partitioning strategies, appears as important factor in determining if partitioning strategy is more profitable than the bundling strategy and future research is called for to answer this question more precisely.

With behavioral analysis offering its share of valuable insights through innovative approaches to hypotheses forming and data collection, including familiar and well tested ones, many facets of (un)fairness in business and consumer behavior and its complexities, through cause and effect and moderating influences are becoming more prone to understanding, with examples from business practice around the world pointing to economical and broader social consequences of fairness perception, in relation to business outcomes and processes. In addition, recent progress in neuroscientific research technologies such as development of brain imaging techniques are making it possible to approach research questions from yet another perspective and offer valuable information about the biological roots of what was once considered purely cultural phenomena of fair and unfair behavior.

Using desk and experimental research with different price related scenarios happening in different contexts, decision was made to analyse previous research and test hypotheses stemming from field of enquiry, especially we wanted to see if some of the pre-

vious findings related to price fairness would also be applicable to Croatian consumers and Croatian market which is in some ways the same, in some ways similar, and in some ways unique compared to other markets. Additionally, we wanted to further investigate informational aspect of price fairness and its influence, more precisely would information availability regarding price setting or price change, have an effect on consumers' perception of price (un)fairness in two different pricing contexts and also would there be an effect of consumers' loyalty. Since price fairness is multifaceted construct, influencing and influenced by plethora of factors and defined in slightly different way depending on the author, we believe positive findings would provide evidence to give informational fairness more thought, as a type of fairness that could be in several ways separate and independent from procedural and distributional fairness and that information provided to consumers regarding price setting in different contexts (dynamic pricing and price bundling) is important factor to have in mind. Moreover, it was meaningful to consider definitions and operationalizations of price fairness. As main definition of price fairness we used one from Campbell (2007, p. 261) who defined price fairness as "consumer's subjective sense of a price as right, just, or legitimate versus wrong, unjust, or illegitimate", and as a definition of informational fairness adapted to the field of price fairness the one from Colquitt (2001) who defined it as "adequacy of the explanations given in terms of their timeliness, specificity, and truthfulness". To adequately measure these constructs we presented consumers with written situational scenarios similar to the ones being used by Kahneman et al. (1986a, 1986b), Campbell (1999), Gielissen et al. (2008) with Likert scale rating for fairness perception measurement.

The paper is organized as follows. In part 2 past research is reviewed, while in part 3 research methods and experimental design are described. Results are presented in part 4, and in part 5 conclusions are given.

THEORETICAL BACKGROUND

Neuroscientific research of morality and fairness

Neuroeconomic interdisciplinary research, in addition to more traditional investigation methods, uses modern neuroscientific methods to gain valuable insights and more thorough understanding of economic processes in relation to psychological and biological roots of decision making and behavior of economic agent. Common methods of scientific investigation in this case is to model perceptions, decision making and other mental processes important for understanding decision making and behavior using experimental and correlational designs with brain imaging (EEG, PET, fMRI) that offer refined ecological validity. In the end, more powerful economic models are possible, and this models are often in contradiction with predictions stemming from traditional economic models that include only observable or reported behavior that sometimes fail to adress all intricacies of real life behavior.

By using modern neuroscientific imaging and brain scanning techniques, more clear picture of psychological processes and brain activity with its complex causes and relations to other phenomena can be obtained and better scientific models achieved integrating data from diverse research methods. Utility is one of the more important concepts in economy, and while many economists assumed that people compared different products with utility in mind, by using brain imaging, especially fMRI, it was shown that different types of rewarding stimuli consistently increased activity in common set of neural structures, including the orbitofrontal cortex (OFC), amygdala and nucleus accumbens (Nacc). Importance of this results is that what is considered as primary rewards, such as food and water and social rewards such as attractive faces, romantic love, music etc., in addition to rewards coming from brain processing related to cooperation and revenge, activate similar brain structures indicating common denominator in utility considerations (Glimcher 2009).

Moreover, strong indications were laid fort that people are not just inclined to act prosocially and altruistically through social and cultural factors, as well as learning

process of rewards and punishments, but also that this kind of decision making and ultimately behavior, becomes hard wired in our brain system. Singer et al. (2004) found that simply seeing cooperator's face from Prisoner's Dilemma game commonly used to investigate moral behavior, activated insula, amygdala and ventral striatal areas and because striatum is rightly thought of as reward area, concluded that stimulus related to cooperation can be rewarding for person by itself. Decety et al. (2004) observed that cooperation was associated with left medial orbitofrontal cortex involvement, suggesting that cooperation is a socially rewarding process. Also, Tabibnia and Lieberman (2007) using fMRI scanning method showed fair offers led to higher happiness ratings and increased activation in several reward regions of the brain compared with unfair offers of equal monetary value. Other neuroimaging studies have similarly shown activation in reward regions in response to cooperative partners or cooperative play. Wright et al. (2012) specifically investigated tendency of humans to reject unfair offers while bargaining over money. Results they got showed that while chimpanzees bargaining over primary rewards like food and water do not show tendency to reject unfair offers, humans do, even while feeling thirsty. Authors suggested that although fairness related behaviours may not be uniquely human, reciprocal fairness, as well as punishment of unfair behaviours of others may notably be human characteristics.

This kind of research provides additional evidence to the idea that fairness perception is important concept that has to be taken into consideration, because people devote at least a part of their brain processing power, consciously and unconsciously, while perceiving certain outcomes and categorizing them as fair or unfair, with the possibility of rewarding fair ones and punishing unfair ones.

Behavioral research of price fairness

Systematic behavioral research of fairness related to price began in '60s of the last century with Adams who postulated equity theory and asserted that workers seek to maintain equity between inputs they give through their efforts and outcomes they receive from employer, against perceived inputs and outcomes of others. If equity could not be maintained, perception of unfairness would occur (Hermann et al. 2007; Xia et

al. 2004). This kind of fairness is related to distribution of resources and was later categorized as distributional fairness which is in contrast to procedural fairness postulated by Thiabut and Walker in early '70s, after conducting series of laboratory experiments. For perception of fairness to occur, procedures itself must be deemed as fair, and outcomes are not of fundamental importance. In practice, that meant that perceiver could receive unfavorable outcome, but if he judged the procedures that led to this outcome as legit or fair, his perception would not elicit reponses usually attributed to unfairness (Xia et al. 2004). Another important research from the '70s was of Huppertz et al. (1978) who investigated fairness in context of seller and buyer relationship with conclusion that when perceived price and service inequity are high, buyers perceive the situation as less fair when they have frequent exchange relationship with the seller than when the exchanges are infrequent.

In '80s Kahneman, Knetsch and Taler investigated fairness through various economic transactions while doing research of public perceptions of what constitutes unfair behaviour on the part of merchants, employers and landlords for the Canadian government's Department of Fisheries (Kahneman 2011). Most important findings were that in consumer's mind there is a reference price which acts as an entitlement that must not be violated or unfairness perception will occur. Also, firms have their own entitlement to make profits based on costs and market situation, but it is generally considered unfair to use market power to impose losses on others which was labelled as dual entitlement principle (Kahneman et al. 1986a; Kahneman et al. 1986b). By now it should be understandable that even by the end of the '80s diverse conceptualizations have been developed and adapted to explain the concept of price fairness and different researchers decided to elucidate phenomenon from somewhat different perspectives.

In this regard, the '90s saw studying and testing of dual entitlement principle together with the expansion of the conceptual framework of price fairness. Kalapurakal et al. (1991) investigated different pricing rules and found it was deemed more fair if both cost increases and decreases were absorbed by businesses which was not predicted by dual entitlement principle. Authors also stated that perception of price fairness is influenced by context effects, such as level of information of the perceiver, which put generality and universality of dual entitlement principle into further consideration. Martins (1995) examined various factors related to fairness perception with findings

that consumer self-interest may influence fairness perceptions. While consumers may compare prices with prices other consumers are paying, and presence of discrepancy may be deemed as unfair, perceived monetary sacrifice is lesser when others pay more and larger if others pay less (as cited in Xia et al. 2004). Additionally, Maxwell (1995) broadened set of influences by including social components and cultural values of price fairness in relation to purely economic ones and concluded that both economic and social components besides cultural values may influence different aspects of price fairness. Campbell et al. (1999; 2007) explored both reputation and intentions of business, as well as if affect could influence price fairness perceptions in addition to just cognitions that were usually given more attention in research. Conclusions were that fairness perceptions are contingent on the perceived intent of the business and reputation acted as a moderator variable, also affect is important constituent on consumers' price fairness perception side by side with cognitive elements.

Previous research showed importance of economic and more broader social factors influencing price fairness perceptions, such as various reference points like past and competitor prices and business reputation, intentions and values, but Bolton et al. (2003) demonstrated that people are not good in objectively judging all conditions influencing business operations including price setting. For example, consumers tend to underestimate costs and inflational influences affecting price changes. Gielissen et al. (2008) researched various factors associated with price fairness perception, but also broadened researched set of factors by studying the size and performance of operating businesses, and came to conclusion that consumers are more inclined to consider changes in the prices of small businesses, with modest operating results, as being fair and justified in contrast to large businesses, with more successful operating results.

In context of differences between procedural and distributional fairness, and differentiation of informational fairness as separate construct, Colquitt (2001) called for distinction of two components of interactional justice, one being informational justice, and the other interpersonal justice. Chapuis (2012) once again brought needed attention to the differences between concepts of price and pricing outcomes and process of determining a fair price itself. In addition, author states it is necessary to pay attention to these two approaches in terms of sources of perceived price fairness and their influence on customer satisfaction. Also, Lee et al. (2011) defined four components of fairness;

distributive, procedural, interactional and informational and Ferguson and Scholder (2013) researched price transparency effects, disclosure of a price increase and extent of explanation on perceived price fairness when a firm increases price with results implying that firms who raise prices might increase consumer perceptions of price fairness by disclosing the price increase and providing an appropriate explanation regarding the size of the increase. Regarding price fairness and reactions of consumers in context of dynamic pricing Haws and Bearden (2006) concluded that differential treatment of consumers resulted in greatest perceptions of unfairness and lowest levels of satisfaction, that consumers have higher fairness perceptions and satisfaction when they play a role in the price setting process than when the prices are set by retailers, and that consumers view price changes within very short time periods as more unfair compared to changes over a more extended time periods. Contexts of bundling versus partitioning strategies of products prices was investigated by Sheng et al. (2006) with various conditions under which one pricing is favored over the other, taking price fairness and purchase intentions into consideration. Regarding particular features for both pricing contexts, authors addressed further research is needed for more clarification.

Analysis of past research suggests that construct of price fairness is theoretically well grounded with conclusions that have scientific as well as practical value, but there is also room for further clarification of the subject. What follows is presentation of methods of experimental field research being done on the subject of price fairness, with exposure to information regarding price change as well as loyalty of consumers as two factors researched in contexts of dynamic pricing and price bundling.

METHODOLOGY

Research goals and hypotheses formulation

Research goals and hypotheses were formulated having in mind existing fairness and price fairness research in economics, marketing, and organizational behavior, connecting fairness ideas from existing research to the particular aspects regarding consum-

ers on Croatian marketplace. In order to contrive data related to the researched concepts, with consumers from Croatian marketplace as test subjects, specific intention was to test predictions regarding fairness in contexts of dynamic pricing and price bundling, with information available to consumers and consumers' loyalty as two factors possibly influencing fairness perception. In order to reach these goals following research hypotheses were proposed:

Hypothesis 1. In context of dynamic pricing making pricing related information available will positively affect price fairness perception of consumers.

Hypothesis 2. In context of dynamic pricing consumers' loyalty to seller will positively affect their price fairness perception.

Hypothesis 3. In context of price bundling making pricing related information available will positively affect price fairness perception of consumers.

Hypothesis 4. In context of price bundling consumers' loyalty to seller will positively affect their price fairness perception.

Based on previous research it is assumed that if consumers do not have satisfactory level of information regarding price, their perceptions may be biased. Bolton et al. (2003) demonstrated that consumers already have tendency to believe that selling price of a good or service is higher than it should be but at the same time fail to adequately consider all aspects related to price setting like inflation and vendor costs. Also, it was stated that corrective actions like cueing costs, explaining price differences, providing historical price information and explaining price information, were only modestly effective. At the same time, there is experimental evidence that people tend to react more strongly to information from morality domain in contrast to other domains and research of people's behavior regarding fairness, points to tendency of subjects to search for fairness cues and information during economic transactions (Tabibnia and Lieberman 2007; Wright 2012). In addition, loyalty was found as positive influence on consumer behavior and specifically on price fairness perception when price increases were low while no such effect was found when price increases were high (William et al. 2009). Bearing this in mind we hypothesised that loyal consumers as well as consumers with

pricing information will more positively react to information about price change in both contexts of dynamic pricing and price bundling.

Instrument design

Price fairness related scenarios, administered through questionnaires, were used for data gathering. Scenarios reflected different situations related to price setting or price change in dynamic pricing and price bundling contexts and factors were manipulated by including different pieces of information while keeping other parts constant. Instrument was similar to the instruments used by Kahneman et al. (1986a; 1986b), Campbell (1999), and Gielissen et al. (2008) but scenarios were conceptually and linguistically formed for this particular research with Croatian subjects. Having in mind that grading system in Croatian educational institutions uses numbered one to five scale, and that this could have influenced subjects' responses through association, Likert type scale with six points was used. In addition, scale with even numbered points prevents selection of neutral responses, and in that way clustering of results to the mean value is avoided, with greater possibility of getting meaningful results through hypotheses testing (Rungson 2010). In order to compare results using appropriate statistical tests, points were allocated to responses in the following way: very unfair - one point, unfair - two points, somewhat unfair - three points and so on to six points for very fair. Since factors related to information availability and consumers' loyalty were explored for two different contexts of dynamic pricing and price bundling, scenarios depicted situations dealing with price information availability (information available or not available to test subjects) and loyalty (test subjects were put into situation of feeling loyal or not loyal to the seller). Too make sure that scenarios reflected research intentions in meaningful way and were linguistically correct, pilot study was conducted that consisted of asking ten people with background in economics to read the scenarios and give their opinions regarding its content and terms used.

Sample characteristics

Given the problems addressed by research, price fairness perception data was gathered by in-person survey method at high-traffic shopping mall in Rijeka. Given the purpose of the research, intention was to encompass a diverse range of subjects, and what was considered important is that the subject spent at least some time in the role of customer and that he understood what was asked of him very well, although consideration was taken to make scenarios concise and straightforward from the start. In the end a total of 784 completed questionnaires was gathered for further analysing. Given that in previous studies influence of gender or level of education had not been revealed as factors of importance for price fairness perception, it was not deemed important to include this kind of information for this research either.

Organization of research

Research was organized during several months in spring of 2014. Firstly, desk research was conducted with goals of getting more familiar with the field of inquiry and previous research, then scenarios were developed and the questionnaire designed. After pilot testing, to ensure the meaningfulness of questions and linguistic correctness, printed copies were taken to the shopping mall for an in-survey. In doing so, care was taken that different groups of subjects got different versions of scenarios so that between groups design was successfully realized. After the response and collection of the questionnaires, statistical analysis of data and discussing of results was made possible.

RESULTS

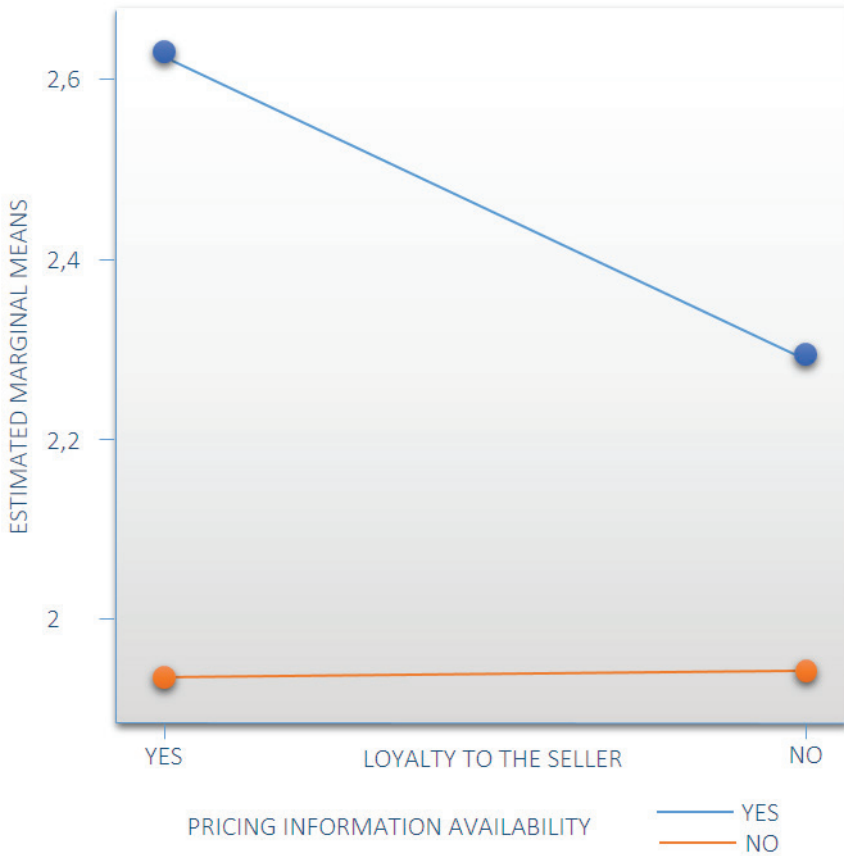
Throughout this chapter, results of statistical analyses conducted and short overview will be given for each postulated hypotheses. Since different subjects went through different experimental conditions for each context, design used was independent groups design. Hypotheses were tested using two independent variables representing pricing information availability and loyalty to the seller, each with two levels, and to test for statistically significant differences in answers between groups, two-way between subjects

ANOVA was used. Approach with between subjects was chosen because large number of subjects were expected to participate and to have better control for skewness of results due to the effects of boredom and familiarity with the task (Minium et al. 1993; Shaughnessy et al. 2000). Also, according to the central limit theorem sample larger than 30 subjects is sufficient to achieve approximation of normal distribution of results, which allows the use of parametric statistics (Petz 1985). Although the subject of debate, arguments such as sufficient robustness of ANOVA test and the principle of symmetry and equidistance in Likert scale, in addition to very large sample ($N=784$), indicated the use of parametric testing for collected data, although assumptions of normality and homogeneity of variances (Levene's test for both sets of data was significant, $p < 0.05$) were only approximately achieved, with skewness of 0.791 (SE = 0.088) and kurtosis of -0.053 (SE = 0.177) for dynamic pricing context, and with skewness of 0.488 (SE = 0.088) and kurtosis of -0.723 (SE = 0.177) for price bundling context (Minium et al. 1993; Norman 2010; Rasch and Guiard 2004). Since attempted square root and logarithmic transformations to bring data closer to the ideal of normal distribution accomplished only marginal improvements both in regard to normality and homogeneity of variances, but considering that normality tests become unreliable with very large samples, assumptions were also inspected visually with Q-Q plots and informed decision was made to continue with the analysis using untransformed data.

First two postulated hypotheses dealt with dynamic pricing context and were tested using four variations of one scenario. Each variation of scenario was related to different situations regarding pricing information availability and loyalty to the seller. A two-way between groups ANOVA was conducted and significant effects were found for both factors with small effect sizes in terms of explained variances (η^2). Pricing information availability effect was found significant ($F_{(1, 761)} = 44.349$, $p = 0.000$, partial $\eta^2 = 0.055$) meaning there was a difference in price fairness scores between subjects who were given information regarding price ($M = 2.46$, $SE = 0.06$) in contrast to subjects that didn't receive such information ($M = 1.94$, $SE = 0.05$). Loyalty to the seller effect was significant ($F_{(1, 761)} = 4.570$, $p = 0.033$, partial $\eta^2 = 0.006$) meaning there was a difference in price fairness scores between subjects considered loyal to the seller ($M = 2.28$, $SE = 0.06$) in contrast to subjects not considered loyal ($M = 2.12$, $SE = 0.06$). Interaction effect between the two factors was also found to be significant ($F_{(1, 761)} = 5.215$, $p = 0.023$, η^2

= 0.007) meaning that the impact of pricing information availability on price fairness perception depended on the level of loyalty to the seller (see Figure 1). Presented differences in estimated marginal means (M) between groups, show that both information availability and loyalty had a positive effect on tested subjects' price fairness perceptions in dynamic pricing context with small effect sizes in terms of explained variances.

FIGURE 1. INTERACTION EFFECT BETWEEN PRICING INFORMATION AVAILABILITY AND LOYALTY TO THE SELLER IN DYNAMIC PRICING CONTEXT

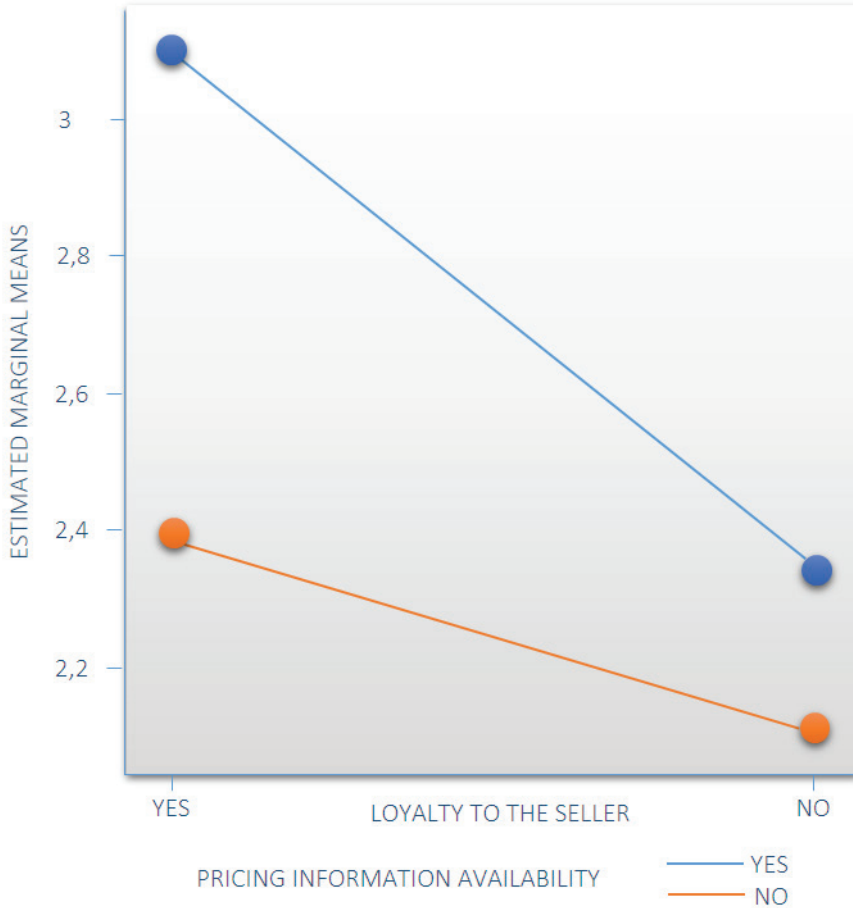


Source: Authors' research

Hypotheses three and four dealt with price bundling context and were similarly tested using four variations of one scenario. Each variation of scenario was related to different situations regarding pricing information availability and loyalty to the seller. A two-way between groups ANOVA was conducted and significant effects were found for both factors with small effect sizes (η^2) in terms of explained variances. Pricing information availability effect was found significant ($F_{(1, 761)} = 30.080$, $p = 0.000$, partial $\eta^2 = 0.038$) meaning there was a difference in price fairness scores between subjects who were given information regarding price ($M = 2.73$, $SE = 0.06$) in contrast to subjects that didn't receive such information ($M = 2.26$, $SE = 0.06$). Loyalty to the seller effect was significant ($F_{(1, 761)} = 38.558$, $p = 0.000$, partial $\eta^2 = 0.048$) meaning there was a statistically significant difference in price fairness scores between subjects considered loyal to the seller ($M = 2.75$, $SE = 0.06$) in contrast to subjects not considered loyal ($M = 2.23$, $SE = 0.06$). Interaction effect between the two factors was also found to be significant ($F_{(1, 761)} = 7.856$, $p = 0.005$, partial $\eta^2 = 0.010$) meaning that the impact of pricing information availability on price fairness perception depended on the level of loyalty to the seller (see Figure 2). Presented differences in estimated marginal means (M) between groups, show that both information availability and loyalty had a positive effect on tested subjects' price fairness perceptions in price bundling context, with small effect sizes in terms of explained variances.

To summarize presented data analysis, it was found that price information and loyalty to the seller positively affected perception of price fairness in consumers, with regard to dynamic pricing and price bundling contexts. Although the size of the effect was found to be small, both consumers that were given pricing related information and consumers that felt loyal to the seller reported higher scores of price fairness perception in contrast to consumers that didn't receive pricing information or felt loyal to the seller.

FIGURE 2. INTERACTION EFFECT BETWEEN PRICING INFORMATION AVAILABILITY AND LOYALTY TO THE SELLER IN PRICE BUNDLING CONTEXT



Source: Authors' research

CONCLUSION

After conducting desk and field research including analysis of obtained data, following conclusions are laid forth. Perceived price fairness is subjective phenomenon, and as such not easily defined or measured precisely, also as more than several researchers had already shown, it is prone to influence by plethora of outside variables. Still, it is deemed as highly important construct connected with successful business operations but still not given due attention during pricing decision making process. If one of the

more important goals of marketing practice, which is often main business strategy as well, is to have satisfied customers loyal to the brand and business, it is imperative for consumers to perceive outcomes and procedures of business they are buying products from as fair and justified.

Empirical research, using behavioural as well as brain scanning methods, have unveiled several connections between these constructs. If perception of unfairness, regarding price or pricing procedures, forms in consumers' minds, their reactions could be manifold ranging from not deciding to buy wanted product, abandoning the brand or retaliating against producer or the seller, with consequential bad mouthing or outright raging. Inevitably, this will lead to damaged brand, smaller revenue and loss of profit, additional strain to PR or marketing departments and other possible negative outcomes businesses should avoid. Having this in mind, it is important to have awareness about consumers' price fairness perceptions, what it means and includes, and factors that help shape it or bring into question clarified.

Relating to previously stated ideas, this research paper examined effects of two factors connected to price fairness perception, one connected to pricing information available to consumers and the other connected to consumer loyalty in two different contexts of dynamic pricing and price bundling. Using data from field research with different price related scenarios applied to consumers from Croatian market place, more information about effects of these factors was sought after. By relating research results with previous research, it can be concluded that perceived price fairness in the minds of Croatian consumers didn't differ much in regard to the expected aspects of perceived price fairness in comparison to the consumers from other developed markets, additionally corroborating idea about construct universality. Main effects found were that Croatian consumers' price fairness perception was positively affected by making information on price change (or price setting) available, and similar effect was found in regard to the feeling of loyalty to the seller. Found differences in fairness perception were deemed small, implying there are other influential factors to consider as well. Previous research has already pointed to the importance of transparent information for consumers and people in general, and now more specific influence has been revealed for two specific and mutually different pricing contexts of dynamic pricing and price bundling, with size of the effects analysed. Loyalty, as a result of commitment and repeated purchases, including having repeated

positive experiences during purchasing behaviour, is also found to be somewhat important, stressing value of making good communication and connections between businesses and their customers. Another aspect of results stemming from conducted research is that although consumers in general did not seem to find practices related to dynamic pricing or price bundling to be very fair, which was indicated by mean values of answers being situated on lower part of the fairness scale for both contexts, positive differences regarding effects of information availability and loyalty indicate that fairness perception can be driven towards more positive values for at least two, and possibly other similar pricing contexts. Magnitude of this effect will probably vary depending on the particular marketing strategy used.

Additionally, further clarification of importance of informational price fairness process, in contrast to other types of fairness, like distributive, procedural, and interactional was intended as well. Main debates about types of fairness are centred on different fairness models, with some authors opting for more component models, with informational fairness as separate component in addition to more well-known types of fairness like distributive, procedural and interactional, while others opt for fewer component models. Nevertheless, evidence that pricing information itself matters to consumers, in addition to outcomes of procedures related to pricing is implied through behavioural research, as well as research using brain scanning methods on various morality and fairness related phenomena. Conclusions formed on the basis of results from this research point in this direction as well. Clear information on pricing and price changes, may very well be important for consumers in other purchase contexts and situations as well.

Research results such as these, suggest the importance of providing pricing information to the particular market niche and perceived price fairness construct in general given more attention by businesses as well as researchers. Nevertheless, limitations of research are evident in internal and external validity issues, related to limitations of used scenarios and regarding distribution of obtained data, so to make more valid and generalizable cause-effect relationships, further investigation of the subject with different postulation of hypotheses and methods used is called for.

On basis of results and presented conclusions, authors would like to motivate other researchers to further explore issues and influences connected with informational fair-

ness, as well as price and other fairness factors in different organizational and business context, with final result of broadening the scope of insight. Several possible future research directions could include revealing new price fairness factors and influences, finding more precise evidence for consideration of informational fairness, as a type of fairness that is substantially different from other types of fairness, and testing for differences and universalities of price fairness across different cultures.

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