Doing good for you and me? – Impact of individualism on consumer responses towards price increases for environmental-friendly production

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Abstract

Consumer behavior strongly depends on the cultural context in which an individual is embedded (De Mooij 2011; Kumar and Pansari 2016). While culture is a multidimensional phenomenon, in particular, individualism is seen as the key cultural dimension that can explain consumer behavior (Moon, Chadee and Tikoo 2008). Our study focusses on the scantly investigated role of culture on perceptions of price increases. We examine the impact of cultural characteristics of consumers on their fairness perceptions and related intentions towards the firm. Our research focuses on companies communicating to have an environmental-friendly production of their goods. We found that fairness perception of price increases can both increased and decreased by specific consumer cultural characteristics. In particular, for international companies, it suggests to differentiate campaigns communicating higher prices.

1. Introduction

The effect of prices increases on the evaluations of consumers and their affective, cognitive and behavioral responses was examined in several studies. These studies identified mostly negative consequences of price increases, such as lower fairness perceptions (e.g., Homburg, Hoyer and Koschate 2005) and lower loyalty (e.g., Dawes 2009). However, these studies focused selectively on antecedents of price increase perceptions such as past prices and inferred motives of price increases such as social benefits (e.g., Bolton, Warlop, and Alba 2003; Campbell 2007). To the best of our knowledge, the **role of individual characteristics** was less studied. However, we assume that people not only form their perceptions through explicit and concrete situations such as being directly confronted with a price increase in supermarkets. People might also have a basic setting for their individual price increase perceptions. These basic attitudes may result from the consumer‘s cultural environment.

We argue that, in particular, culture might influence perceptions of price increases and accordingly, related behaviors. Accordingly, in some countries with specific levels of some cultural subdimensions, it might be more difficult to apply price increases. Our paper is structured as follows. In the next chapter, we briefly present the key literature on price

increases and consumer responses. In chapter 3, we present our study with data collection and analysis. Our paper concludes in chapter 4 with a brief summary and outlook.

2. Theoretical background

Over the past decades, studies investigated the impact of price increases on consumer perceptions and behavior (e.g., Campbell 2007). Generally, people perceive price increases as less fair (e.g., Homburg, Hoyer and Koschate 2005) and respond with lower loyalty (e.g., Dawes 2009). Studies focused on firm activities (e.g., Sipilä et al. 2022) and the effect of price framing (e.g., Rikala 2022) but did not explicitly account for consumer characteristics such as individualism. Few studies investigated the role of culture on price perceptions but these studies only compared culture across countries such as China vs. USA (Schneider 2022) by applying the two-poles-concept of an unidimensional construct (individualism vs. collectivism). However, belonging to a country and its main culture does not mean that every individual has similar understanding or behavioral patterns. Individuals in a country can be very diverse. Therefore, it might be beneficial to differentiate every cultural dimension into subtypes and to examine the possible different effects.

The key dimension of several studies in consumer behavior is individualism. **Individualism** refers to the degree to which people in a country prefer to act as individuals striving to achieve personal goals, needs and rights (Triandis 1995). To differentiate effects of individualistic consumers, our study separates individualism into three subdimensions that might influence fairness perception of price increase. We follow the approach by Chen and West (2008) who investigated the different elements of individualism.

During the last decades, many companies implemented campaigns to do good for others such as fair trade and, they communicated their activities in Corporate Social Responsibility (CSR) reports. Subsequently, researchers focused on the impact of other-oriented motives such as giving donations and producing in an environmentally friendly way (e.g., Sipilä et al. 2022). Most authors identified positive effects on consumers such as purchase or consumption intention or willingness-to-pay (e.g., Campbell, Heinrich and Schoenmüller 2015; Doran 2009; Koschate-Fischer et al. 2016; Schwepker and Cornwell 1991; Trivedi et al. 2015). Interestingly, the ethical purchase intention does not only depend on moral obligations but also on egoistic motives (Andersch et al. 2019). Accordingly, doing something good can also benefit the paying consumer herself. However, these studies focused on scenario-experiments or scenario-surveys and specific goods instead of an overall psychological pattern of consumers. Hence, given studies are product and service specific (e.g., groceries, toys, airlines, restaurants) and, thus they might be less generalizable with non-investigated contexts. In other studies, it was asked for consumers‘ ethical sensitivity and their ethical consumption behavior (Toti, Diallo and Huaman-Ramirez 2021). Even if the authors controlled for a potential survey bias like socially-desired answers, such studies often requested an explicit response from people in a fictitious setting and there might be still some

social desirable effects. To note, US consumers stated that CSR actitivies of firms only sometimes influence their purchase decisions of products (Marketingcharts 2016).

Therefore and to expand the understanding about consumers, we suggest to modify the perspective from explicit evaluations **to general perceptions of people** and to survey them about their general fairness perceptions of price increases that provide other-oriented benefits such as for the environment. The potential ‚pressure' to respond in a social accepted manner will be removed and, people might answer according to their real lifestyle and their overall evaluation of situations. We argue that cultural subtypes of people will have different impact on fairness perceptions of price increases.

Generally considered, a good's price can have different effects on consumers. The size of a price and the products' related purchase and consumption can signal wealth and status. However, people can also have a feeling of a loss (Xia, Monroe and Cox 2004). Thus, price increases that support other persons or organizations such as producers of fair trade products or the environment can be perceived differently. A price increase can be noticed as positive, „it helps others" but also negative „I have to pay for it and it reduces my spendings for other goods". Today's consumers might be in a dilemma. They recognize higher prices as beneficial to many persons or societies but have to ‚pay the bill' themselves. We therefore state that price fairness evaluations depend on the cultural background of people. In particular, individualism is seen as the key driver for consumer behavior and, its subtypes might have different impact on fairness evaluations. Several studies showed the effect of perceived price fairness on loyalty or switching intentions (e.g., Homburg, Hoyer and Koschate 2005). According to these studies but without stating an explicit hypothesis, we also expect an negative impact of perceived price increase fairness on switching intentions.

Many firms advertise to have an **environmental-friendly production** insofar that they produce locally, thus prevent long transportation to avoid unnecessary emissions and use materials that are better for the environment. Environmental-friendly production does not only favor other people by a better environment (less emissions, less waste, clean water, etc.) but it also benefits the consumer herself who pays a higher price for such production. Thus, higher prices for environmental production generate a public good where many people profit from it. However, "people who are more individualistic will tend to focus on personal goals, and their behavior will tend to be guided by immediate benefits relative to costs" (McCarthy and Shrum 2001, p. 95), individualistic consumers might not value such motivated price increases. Price increases cause higher financial costs but are not immediately a gain for the target (e.g., environment). Therefore, individualistic consumers might perceive price increases as less fair.

Independence reflects an individual's value of autonomy in judgment, decision making, and actions (e.g., Markus and Kitayama 1991; Triandis 1989); Consumers that **feel independent** from other persons, might feel under pressure by company-driven price increases and could responds negative towards the firm. Accordingly, highly independent individuals would perceive price increases for environmental-friendly production as less fair.

Hypothesis 1a: Independence reduces fairness perception of price increases from environmental-friendly production.

A second subtype of individualism is **uniqueness**. Uniqueness is the perceived importance of developing the self's unique identity and expressing characteristics that are different from others (e.g., Markus and Kitayama 1991). If individuals have a high need for uniqueness, they might strive to show their distinctiveness by their purchases and consumptions. People that buy goods that help the environment might gain social reputation, thus status and perceive themselves as someone special in their social group (e.g., Han et al. 2022). A higher price of such goods also limits the access to some consumer groups that are able to afford the higher-priced item. Thus, buying such products with an environmental touch might be used to signal uniqueness. Accordingly, consumers with a high uniqueness perception evaluate a price increase for environmental-friendly production as more fair.

Hypothesis 1b: Perceived uniqueness increases fairness perception of price increases for environmental-friendly production.

Studies showed that consumers compete towards the access of products in retail stores (e.g., Coskun, Gupta and Burnaz 2020) and in the tourism sector (e.g., Song, Choi and Moon 2021). Consumer competition represents an interpersonal comparison between the self and others and the individual's desire to get ahead of others and striving for individual achievements (e.g., Triandis and Gelfand 1998). A price that is increased for environmental purposes signifies a benefit for others but a cost and emotional sacrifice for the customer. Hence, it is a competition for the gain-cost ratio. We argue that people who feel to be in competition with other persons, have less positive attitudes towards price increases for other entities (such as the environment).

Hypothesis 1c: Consumer competition reduces fairness perception of price increases for environmental-friendly production.

3. Data collection and results

In order to test our hypotheses, we collected data via a paper-and-pencil survey across consumers in Germany using established 7-point Likert scales. For the cultural dimensions of individualism, we used the measures of Chen and West (2008) (e.g., „I intentionally do things to make myself different from those around me."). Perceived price fairness was measured with a single item „This price increase is fair" similar switching intentions with „How likely will you switch because of this price increase reason" (both adapted from Grewal, Hardesty and Iyer 2004). The overall sample consists of 388 respondents (mean age = 24.24 years, Std=4.088; 44.7 % females; see table 1 for correlations). Our factor analysis provided good results for independence (two items, Cronbach alpha=.682), perceived uniqueness (2 items, Cronbach alpha=.792) and consumer competition (3 items, Cronbach alpha=.758) (see

table 2). We then run two linear regression analyses. First, and as a control for the validity of our model, we examined the impact of fairness perception of the price increase on switching intentions (Model A, see Figure 1). Data showed that fairness perceptions significantly decrease switching intentions (beta=-.296, p<0.001) supporting prior studies (e.g., Homburg, Hoyer and Koschate 2005). We controlled for age and gender because several studies found effects on green consumption (e.g., Chekima et al. 2016; Sun et al. 2019), but found no significant effects on switching intention ($beta_{age}$ =.051, p>.100; $beta_{gender}$ =-.043, p>.100).[1] Second, we calculated the impact of the three subtypes of individualism on perceived price increase fairness. Our analysis showed that individualism differently influence fairness perceptions of price increases. In detail, *independence* has no significant impact on fairness perception. We reject H1a. *Perceived uniqueness* had a positive influence on fairness perceptions of price increases caused by environment-friendly production (beta=.106, p<.100, supporting H1b). *Consumer competition* decreases price fairness perception (beta=-.199, p<.00, supporting H1c). Findings are summarized in figure 1.

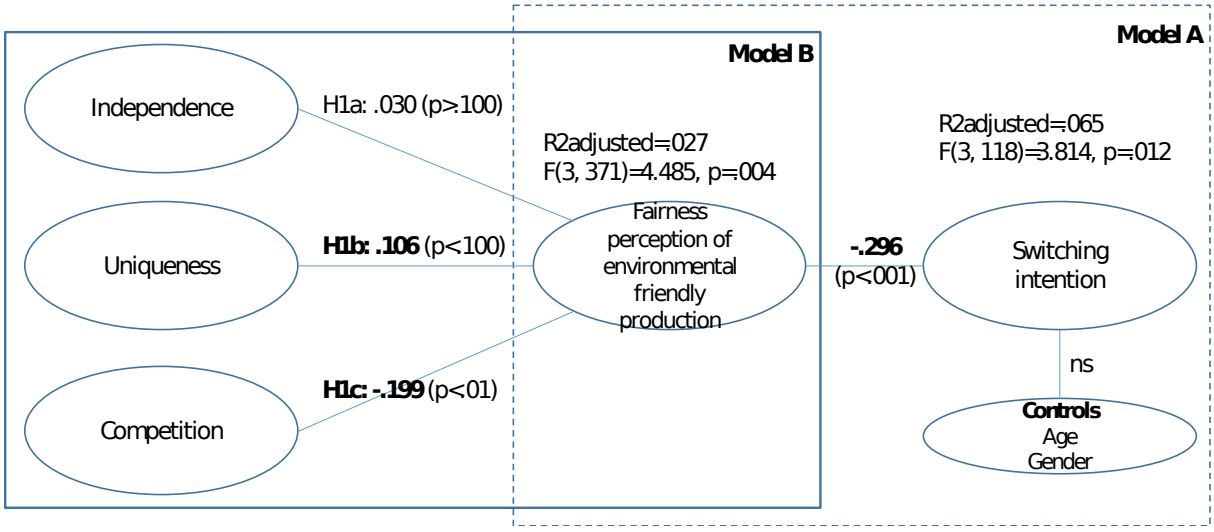

Figure 1: Research framework and results

4. Summary and brief discussion

Our work contributes to consumer research by showing that subtypes of cultural orientations can differently influence fairness perceptions of other-oriented price increases. Our study therefore corresponds to research calls for integrating culture in studies about other-oriented goods and environmental-friendly production and price increase studies (e.g., Homburg, Hoyer and Koschate 2005; Toti, Diallo and Huaman-Ramirez 2021). We found that three subtypes of individualism have **different effects of fairness perception**. Interestingly, the positive effect of uniqueness on fairness perception is smaller than the negative impact of consumer competition. Hence, customers with competition have much lower fairness perceptions. Accordingly, companies with customer groups with a great(er) level of

1 We also controlled for the direct effects of all three subtypes of individualism on switching intentions. There are no significant linkages between these dimensions and behavioral intentions. We therefore do not present the detailed results. However, it also says that individualism has no direct impact on switching.

competition perception might face difficulties in achieving acceptance for their price increase. This suggest that the management should identify the cultural dimensions of individualism of their customers before its decision to implement higher prices because of environmental-friendly production or while introducing such mean – being careful in communicating it. Thus, cost-related price increases for the „good of others“ might not always benefit the firm.

Our study is not without limitations. Future studies might investigate the role of other cultural dimensions such as power distance. And our findings might be combined with concrete price increases (e.g., 10%) for products and services to examine moderating effects of different contexts. However, We hope that our results will motivate further research on the influencing variables of price increase assessments and thus complete the understanding of consumer reactions.

References on Request

	Mean	**Std**	**1**	**2**	**3**	**4**	**5**	**6**
(1) Independence	5.502	1.022	-					
(2) Perceived uniqueness	4.157	1.414	.177**	-				
(3) Customer competition	4.720	1.276	.274**	.348**	-			
(4) Fairness environment	5.03	1.405	-.005	.042	-.154**	-		
(5) Switching intention	3.44	1.592	-.104	.060	-.011	-.055	-	
(6) Age	24.24	4.088	.011	.073	.081	-.129**	.032	-
(7) Gender (1=female)	-	-	.049	.037	.217**	-.134**	.038	.121*
Scale: 1=strongly disagree, 7=strongly agree; *: p<.05; **p<.01								

Table 1: Correlations and descriptives

Construct	
Independence (Chen and West 2008)	Cronbach α=.682, explained variance=76.403 %
I don’t like to rely on other people.	
I like to act independently and take matters into my own hands.	
Uniqueness (Chen and West 2008)	Cronbach α=.792, explained variance=82.800 %
Being distinctive is important to me.	
I intentionally do things to make myself different from those around me.	
Competition (Chen and West 2008)	Cronbach α=.758, explained variance=68.143 %
I want to be the best every time I compete.	
I feel that I have to be better than everyone else.	
I hate to lose.	
Perceived price fairness (Grewal, Hardesty and Iyer 2004)	
This price increase is fair.	-
Switching intention (Grewal, Hardesty and Iyer 2004)	
How likely will you switch because of this price increase reason?	-
7-point Likert-type scales with “strongly agree” and “strongly disagree” as anchors were employed	

Table 2: Specific measurement items