Consumer price sensitivity under conditions of technological change in trade

Imagine you go to the store and buy a cosmetic (e.g. a face cream or eau de toilette) for 16$. Back at home you browse the Internet and discover that for the same cosmetic at the same retailer, the standard, non-promo price is 10$ (40% discount!!). All you needed was to order it online! What do you do? Do you come back to the store and return the product? Do you drop an official complaint? Do you flood your social media with negative comments of how the ruthless retailer cheated on you and never come back to the store again? Would you behave differently if the product was a much cheaper cosmetic or a pack of coffee for 3$ (online price: 1,8$) or a big toy for 70$ (online price: 40$)? Would the puzzle get more complicated if we assumed online purchase delivery scheme (48-hour delivery, free to store or additional 3$ fee by courier)? Would your reactions differ if the price was only 10% lower online vs offline? As you can see – the simple between-the-channels price difference may be a source of serious frustration or nothing more than a short and light headache… It all depends on the conditions and what kind of shopper you are…

Why would retailers **set different prices in their online vs offline** stores anyway? This is because their costs of offline operations are higher than online, as they need to pay rent, keep stock in many stores, pay the store personnel, etc. These are serious expenses that online retailers don't carry, so they can offer lower prices.

As we experience a step change in our purchasing habits, and shop online more and more often, majority of offline retailers have extended their operations into online. As they get squeezed between online price competition and high costs of offline operations, they face a dilemma: set prices at parity or charge higher prices offline. Knowing consumers' reactions to such a practice is a key to conscious decision taking by multichannel retailers. Therefore, the main objective for this study is to understand how **multichannel pricing strategies** influence **consumer perceived price fairness** and further – **consumer behaviour**. In order to address the research objective, we plan to use **experimental method approach,** following scenario approach, each assuming a unique set of conditions.

As consumers, we go through a certain set of steps before we do the purchase. It is called **path to purchase** and assumes the following stages in purchasing process: (1) the consideration stage, (2) the visit stage, (3) the purchase stage, and finally (4) the post-purchase stage. In multichannel environment, while getting through the path to purchase, we can switch between online and offline multiple times, either between stages or within one stage (e.g. start visit stage online, than visit several offline stores comparing simultaneously online offers using a smartphone). For some of the consumers, the scenario set at the beginning would never happen – they would never do the purchase without prior research online. We differ from each other in terms of our path to purchase preferences, but also tend to have different paths to purchase for different product categories. Our research aims to shed light on this issue with the ambition to build path to purchase-related consumer segmentation by product category.

Our study makes a number of contributions to the literatures on discriminatory pricing, and price fairness more generally, as well as consumer path to purchase. First, following the **framework for multichannel customer management** (Neslin et al., 2006), we aim to add to the research in the area of coordinating channel strategies, specifically on the issue of coordinating the prices across channels. Second, we add to **price fairness theory** (Xia et al., 2004) by extending the scope of product categories, depth of discount, purchase type, channel and delivery scheme choice, as well as timing of price difference acknowledgement. Third, we extend the **path to purchase** research (Song et al., 2016) with regard to consumer behaviours by product category and their links to perceived price fairness and consumer reactions to price differentiation strategies from retailers. Fourth, we aim at designing the **path to purchase-related consumer segmentation by product category.**

Also, this project refers to one of the **research priorities** by the **Marketing Science Institute (MSI) for years 2022-2024**. MSI is a platform for generating and disseminating research that drives best practices in marketing, with a mission to benefit both business and society. Our project refers to the third priority, i.e., 3.Long-term changes in how customers and firms interact, specifically, *How will remote work and technology-mediated consumption affect optimal channel structures?*. As for the **social impact of the project**, the price differentiation strategies are regarded as welfare-improving for consumers and for the retail economy as a whole (Fassnacht, & Unterhuber, 2016; Richards et al., 2016).