

PERCEIVED CONTROL IN PRICING AND SERVICE STRATEGIES

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ABSTRACT

In 1916, Clarence Saunders initiated a retail strategy that would drastically transform the method of service delivery. By viewing consumers as unexploited resources, he envisioned that consumers could serve themselves. For that reason, he established the world's first self-service grocery store, named Piggly Wiggly (Salomann, Kolbe, and Brenner 2006). The self-service concept is straightforward. Simply, consumers conduct tasks that were previously performed by others. Since Saunders' creation, the self-service format has significantly developed, along with the degree of automation and technology integrated into consumer relationships. It has been said that the blending of self-service and technology is "to transform the service economy in much of the same way that mass production transformed manufacturing" (Economist 2004, p. 62; Salomann et al. 2006).

A key consequence of self-service is that consumers are more active in the marketplace and perceive more control in the shopping process (Ertimur 2008; Chen, Chen and Chen 2009). More control in the shopping process has shown to generate positive emotions, higher repurchase and positive word-of-mouth intentions (Söderlund 2007), and higher customer satisfaction (Johnson, Bardhi, and Dunn 2007). Coincidentally, several retailers employing a self-service strategy often present unit prices, which are prices that state a product's price in terms of dollars or cents per unit of measure (e.g. \$2/ounce) (Kwortnik, Creyer, and Ross 2006). For instance, Whole Foods, a grocery store, has an aisle full of grains, noodles, and dry items that are priced by weight, in which a consumer fills a clear bag his/herself with the amount of product desired. Likewise, Menchie's, an ice cream shop, offers twelve different types of ice cream that are priced on a per ounce basis.

Previous research has shown that unit pricing can be difficult and confusing for consumers to interpret, such that it can impair a consumer's recognition of value (Kwortnik et al. 2006). Likewise, research has indicated that consumers often have poor abilities in making accurate judgments regarding a product's weight, height and shape; and that such cues (weight, height, shape) have a considerable impact on judgment and behavior (Wansink and Ittersum 2003). Thus, it appears that the confusion associated with interpreting a unit price as well as the difficulty in making accurate size judgments may decrease a consumer's perceived control in the shopping process, consequently offsetting self-service's positive effect on perceived control. Therefore, the purpose of this research is to determine how variations of the presented price (unit or standard price) and service strategy (self-service or full-service) affect a consumer's perceptions of control, and how different levels of perceived control affect a consumer's perceived price fairness and purchase intentions.

References Available on Request.