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The Dark Side of Good Reputation and Loyalty in Online Retailing: When Trust Leads to Retaliation Through Price Unfairness

Isabel P. Riquelme[a], Sergio Román[b], Pedro J. Cuestas[c], and Dawn Iacobucci[d]

[a] Riquelme is Assistant Professor of Marketing at North Catholic University (Chile), maria.riquelme@ucn.cl, [b] Román is Associate Professor of Marketing at University of Murcia (Spain), sroman@um.es; [c] Cuestas is Associate Professor of Marketing at University of Murcia (Spain), pcuestas@um.es; [d] Iacobucci is the Ingram Professor of Marketing at the Owen Graduate School of Management, Vanderbilt University, dawn.iacobucci@owen.vanderbilt.edu.

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Abstract

This research examines price variations that are perceived to be unfair which then induce consumers to retaliate online. These phenomena are growing in online retailing given the data-based means for companies to set differential pricing, and the social media venues for consumer complaints. In this research, data from 997 respondents are used to test moderated mediation relationships integrating: (1) the influence of trust (i.e., competence and benevolence) on perceived price unfairness, and its mediating role on subsequent online revenge intentions; (2) the moderating role of (a) retailer reputation and (b) customer loyalty. We find that pricing practices seen as unfair can lead to a "dark side" or a "love becomes hate*"* effect for loyal customers of retailers with good reputations. Implications for theory and practice are discussed.

Keywords: Online retailing; Perceived Price Unfairness; Trust; Reputation; Customer Loyalty; Online revenge intentions.

When consumers learn that they paid more than others for the same product or service, they have experienced a "disadvantaged price inequality," and it frequently seems unfair (Gelbrich, 2011; Wirtz and Kimes, 2007; Wu et al., 2012; Xia, Monroe, and Cox 2004). Newstories are plentiful that report instances of companies charging different customers different prices for the same products. Prices of books, cars, cashmere, furniture, shampoo, and cooking ingredients have varied depending on customers' timing, location, or search histories (Frank, 2017, *The New York Times*; Useem, 2017, *The Atlantic*).

This practice—charging different prices to different consumers for the same offering—is becoming increasingly common in online retail. One reason is that technology facilitates enhanced data collection (e.g., big data, Tanner, 2014, *Forbes*) and increased buyer identification (e.g., customer relationship management, Malkiel, 2016, *Wall Street Journal*). Furthermore, this practice of charging different prices to different segments of consumers is likely to grow because it has been shown to enhance firms' revenues and profits 8% and 25%, respectively (Kannan and Kopalle, 2001; Sahay, 2007; Weisstein et al., 2013). Indeed, some business pundits have argued that online shopping will be the "end" of fixed prices (Morris, 2017).

Customers learn of these different prices more and more given the ease of online searches and transparency (Biswas and Biswas, 2004; Gelbrich, 2011), customers can accept the price differences if they seem to be justified. For example, preferential prices might be offered to loyalty club members, or on the basis of quantity purchased, or timing such as "early" versus "last minute" booking for travel. Disney charges 20% more for busy weekends and defends the practice by saying queues will be shorter so a family's enjoyment will be greater (Barnes, 2016).

Yet without such explanations, price differences may seem inappropriate, and consequently cause perceptions of unfairness (Nguyen and Meng, 2013). As a recent example, in what Amazon.com later claimed had simply been random price testing, customers were furious when they learned that they had been charged different prices for some DVDs (some customers had posted the pricing information), forcing Amazon to "apologize, issue refunds and appease

angry customers" (Martinez, 2017). Based on social comparison, the idea that someone else is getting a better deal is likely to "raise eyebrows" and evoke dissatisfaction (Nguyen and Simkin, 2013). Customers may then end their relationship with the company (Campbell, 1999; Garbarino and Maxwell, 2010) or engage in retaliation behaviors such as spreading negative word-of-mouth in private or public online venues (Lee et al., 2013; Tuzovic et al., 2014).

Just as online technologies have made it easier to implement dynamic pricing strategies for firms, the potential for consumers to harm firms has also grown. Consider the proliferation of online platforms such as protection agencies (e.g., consumeraffairs.com), complaint websites (e.g., Rip-offReport.com) and anti-corporation websites (e.g. starbucked.com), as well as posting complaints on one's own social media outlets (Grégorie et al., 2010; Ward and Ostrom, 2006). Thus, despite the financial benefits for firms, the potential damaging consequences raise important questions about the viability of online dynamic pricing. Therefore, research on *when* and *why* customers retaliate is needed to guide online retailers.

Several research questions may be posed with regard to the potential factors that affect how customers perceive prices as unfair. Prior research suggests that the buyer–seller relationship is built on repeated transactions over time and customers will make inferences based on that longer-term context and not just a single transaction (Grayson and Ambler, 1999; Kozlenkova et al., 2017; Martin et al., 2009). For example, a customer who has had a good experience with a seller during repeated transactions may assume that a price increase occurs for legitimate reasons (Xia et al., 2004). But the opposite reaction is also plausible if the loyal customer feels that his or her good relationship has been betrayed by the retailer. Such customers may take "extreme" actions to hurt the firm, and thereby become its worst "enemies" (Grayson and Ambler, 1999; Grégorie and Fisher, 2008).

One construct that might begin to explain different customer reactions to seemingly unfair prices is trust. Consumers seem to emphasize different dimensions of trust, such as competence (credibility, the company "can be relied on") or benevolence ("interest in the customer's best

interests") at different relationship stages (Doney and Cannon, 1997, p.36; Singh and Sirdeshmukh, 2000). Research indicates that different trust dimensions can have different consequences, implying that a multidimensional conceptualization of trust is needed for exploring its managerial benefits or disadvantages (Gefen, Benbasat, and Pavlou, 2008; Johnson and Grayson, 2005).

Furthermore, a recent meta-analysis conducted by Kim and Peterson (2017) yielded mixed results regarding trust in the online environment, which the authors argued could be explained in part by the complex nature of the relationships, which are likely to be moderated by other variables. In line with this, Garbarino and Johnson (1999) stressed the need of considering customer segments in terms of their relational status (low versus high loyalty) when studying trust,[1] Sirdeshmuk et al. (2002) and Keh and Xie (2009) also described how retailers vary in terms of their reputations, and that should lead to different trusting beliefs and expectations among their customers. Thus in our framework, we investigate moderators of customers (loyalty) and retailers (reputation), which we derive from the literature.

Given that not all consumers retaliate or show a "dark side" after a bad purchase experience, what factors contribute to or moderate online retaliation? Our research is intended to address these questions as well. We will examine the extent to which antecedents (i.e., different trust dimensions) and consequences (i.e., online revenge intentions) of perceived price unfairness (the mediator) vary depending on the moderating variables of retailer's reputation and customer loyalty.

To our knowledge, the synergistic confluence of these constructs has not been studied, nor their impact on consumers' online revenge intentions. Thus we believe our findings contribute to the literature by addressing these research gaps. By including the role of different dimensions of trust in the relationship between perceived price unfairness and its consequences, our research

[1] Like Garbarino and Johnson (1999), we also distinguish loyalty from trust. While it may seem natural for long-term loyal customers to experience both kinds of trust (we will argue they emphasize benevolence), even new customers or non-loyal customers can feel competence trust, as we shall argue and demonstrate shortly.

adds to prior literature by adopting a relational perspective of an unfairness pricing situation, with the consumers' perceptions and reactions analyzed within the social context of an exchange relationship.

In doing so, this research develops a more comprehensive study that explains when *consumer trust* in the retailer (through its competence and benevolence dimensions) will yield positive or negative results on *perceptions of unfairness* and its potential negative consequences on *retaliatory behaviors* (i.e., online vindictive complaining), partly as a function of *firms' reputations* and *consumers' loyalty* status. Ultimately, results from this study will help retailers improve their understanding about how to effectively manage different segments of customers.

The remainder of this paper is organized as follows. First, we review the literature, describe our conceptual framework, and derive hypotheses. Then we describe our study's methodology and analysis. Using structural equations modeling and a series of multigroup analyses, we test our hypotheses with data from 997 respondents in the online hotel-booking context. Finally, we discuss the results and their implications for theory and practice.

Perceived price unfairness and consumer retaliation

We begin by first defining perceived unfairness as a result of a "disadvantaged price inequality" situation. Based on Equity Theory (Adams, 1965), most previous research on price fairness suggests that judgments of (un)fairness are fundamentally comparative in nature (Ashworth and McShane, 2012; Darke and Dahl, 2003; Gelbrich, 2011; Haws and Bearden, 2006). From this point of view, perceived price unfairness is defined as the consumer's assessment of whether the difference between a seller's price and the price of a comparative other party (e.g., another consumer purchasing the same item) is unreasonable or unjustifiable (Xia et al., 2004).

People compare their transactions in terms of relative outcomes and a "disadvantaged price inequality" is perceived when one's own outcome is worse than that of the referent party, leading to perceptions of unfairness. The comparison referents may be: (a) a consumer's previous

shopping experience (Campbell, 2007); (b) other sellers charging a different price for the same product (Gourville and Moon, 2004); or (c) the most salient source seems to be when consumers learn that a retailer charged them a different price than what the same retailer charged other customers (Ashwordth and McShane, 2012; Darke and Dahl, 2003; Grewal et al., 2004; Tarrahi et al., 2016).

For example, two travelers on the same flight would expect to be charged the same price, unless one traveler is a "frequent flier" who obtains a better price, then the difference is acceptable because the customers differ in status. Otherwise, different prices seem unfair and consumers are dissatisfied (Ashworth and McShane, 2012; Bolton et al., 2003; Gelbrich, 2011; Tarrahi et al., 2016; Tsai and Lee, 2007; Xia et al., 2004).

Consequences of perceived price unfairness include lowered repurchase intentions, negative word-of-mouth, or increasingly, even more negative customer responses such as *retaliatory* behaviors (Garbarino and Maxwell, 2010; Tuzovic et al., 2014). Retaliation is defined as consumers' actions and efforts to punish and cause inconvenience to a firm for the damages it has caused them (Bechwati and Morrin, 2003; Grégoire and Fisher, 2008). Retaliation can be motivated as a means to restore fairness (Beugré, 2005; Funches et al., 2009), or to give the avenger relief from anger at being treated unfairly (Bechwati and Morrin, 2003; Zourrig et al., 2009). Retaliation is motivated by a desire to "bring down" a firm, thus it is punitive and linked to unfairness situations (Grégoire and Fisher, 2008).

Customers typically retaliate by spreading negative word-of-mouth (Grégoire and Fisher, 2008; Hibbard et al., 2001; Huefner and Hunt, 2000). Customers share their bad experiences with others, hoping to tarnish a firm's reputation and to encourage others to avoid patronizing it (Grégoire and Fisher, 2008; Wangenheim, 2005). Such retaliation can be "private" (i.e., to friends and family) or "public," such as when customers use social media or contact a third-party organization (e.g., a complaint website) to publicize their negative purchase experience to a larger audience, a behavior named *third-party complaining for publicity* or *online revenge* (cf., Ward

and Ostrom, 2006; also see Obeidat et al., 2017; Tuzovic et al., 2014). Researchers have argued that this public form of retaliation deserves special attention because of the increased scope of its damaging consequences for firms, especially in an online shopping context (Grégoire et al., 2010; Ward and Ostrom, 2006). Thus, in our research we focus on consumers' online revenge intentions as a result of perceived price unfairness.

Research Model and Hypotheses

Given that overview, we now describe our model in detail, to begin to understand and explain the process by which perceived price unfairness may result in online revenge intentions (the "how" or mediation) as well as the moderators of the relationships (the "when" or the conditions under which the negative outcomes may be expected). These relationships are illustrated in Figure 1.

*** Insert Figure 1 about here ***

According to Cognitive Appraisal Theory, the perception of an event (e.g., a disadvantaged price inequality) is interpreted through a cognitive assessment (e.g., perceived price unfairness). The cognitive appraisal then results in an emotional or behavioral reaction (e.g., consumer's online revenge intentions). The cognitive appraisal is necessary for triggering a reaction because the same event (a price inequality) may be perceived as unfair to one individual but not to another (Folkman and Lazarus, 1991; Lazarus, 1991; Lazarus and Folkman, 1984). Such differences are thought to be partly a function of consumers' expectations, in our study, about a retailer and how the purchase should unfold (cf., Singh and Sirdeshmukh, 2000; Stephens and Gwinner, 1998).

Buyer-seller relationship and trust

Figure 1 includes the competence and benevolence dimensions of trust. In the literature, trust is defined as "the willingness of a party to be vulnerable to the actions of another party" (Mayer et al., 1995; p. 712). Other scholars have specified *aspects* of trust, for example, Morgan and Hunt (1994, p. 23) define trust as the perception of "confidence in the exchange partner's

reliability and integrity." Indeed, most scholars view consumer trust as a multidimensional construct and while a number of dimensions have been proposed, there is a general consensus that the main types of trust certainly include: 1) *competence trust*, i.e., "the objective credibility of an exchange partner [in this case, the seller], an expectancy that the partner's [seller's] word or written statement can be relied on" (Doney and Cannon, 1997, p.36), and 2) *benevolence trust*, i.e., "the extent to which one partner [the seller] is genuinely interested in the other partner's welfare and motivated to seek joint gain" and is interested in the customer's best interests" (Doney and Cannon, 1997, p. 36; Ganesan and Hess, 1997; Singh and Sirdeshmukh, 2000; Sirdeshmuk et al., 2002).[2]

These dimensions of trust—competence and benevolence—have a strong tradition in the marketing literature. The conceptualization is consistent with prior work on the attributional basis of trust (Malhotra and Lumineau, 2011; McKnight et al., 2004), as well as with studies on service relationships (Johnson and Grayson, 2005). These dimensions of trust have also been examined in the context of dynamic pricing (Garbarino and Lee, 2003; Garbarino and Maxwell, 2010), hence they should be relevant for our study in understanding price unfairness perceptions. Finally, researchers are increasingly studying consumer trust in the online medium (Kim and Peterson, 2017; Kuan and Bock, 2007).

Research indicates that these different dimensions of trust emerge at different stages of the buyer–seller relationship (e.g., Singh and Sirdeshmukh, 2000; Sirdeshmuk et al., 2002; Xia et al., 2004). Thus customer segments that differ in terms of their previous relationship with the retailer (non-loyal versus loyal) would probably perceive and react differently to price unfairness because they are likely emphasizing different trust dimensions.

Specifically, prior research suggests that on initial contact, when buyers have little or no previous transaction experience with the retailer, they may base their trust on the seller's reputation and contextual cues, such as store size and display, product assortment, or the seller's

[2] A helpful reviewer also pointed out the potential importance of integrity as a dimension of trust that can be particularly helpful in studies of online purchasing (Gefen, Benbasat, and Pavlou, 2008).

publicized good-will (Lewicki and Bunker, 1995). This trust is not necessarily low, because a buyer may choose to trust a seller until something goes wrong (McKnight et al., 1998). At this early stage of the relationship, the important dimension of trust is likely to be competence, because buyers are concerned about various aspects of a transaction, such as product quality, delivery, and return policies (Xia et al., 2004). Presumably most firms convey some element of competence, whether its focus is on premium quality or value prices. These foci help form the customer's expectations with regard to competence trust, or the credibility or expectancy that the firm will do as it promises or implies.

Then, with repeated transactions with the seller, buyers gain more information about the seller's trustworthiness and the unfolding history of transactions and experiences plays an increasing role in determining trust (Singh and Sirdeshmukh, 2000; Xia et al., 2004). As the relationship develops and the two parties begin to know each other, trust becomes more "interpersonal" (Lewicki and Bunker, 1995). That is, while trust might not be developing between two individuals and hence is not personal per se, the metaphor of an interpersonal exchange begins to hold for marketing scholars who speak of benevelonce, that is the firm being "interested in the customer's best interests" (Doney and Cannon, 1997, p.36). At this stage, the buyer already knows the competence of the seller, so there is likely to be greater emphasis on benevolence trust (Singh and Sirdeshmukh, 2000; Xia et al., 2004; Theotokis et al., 2012).

In short, trust may have a different meaning (i.e., emphasize different dimensions) at different stages of a buyer–seller relationship (and at different levels of prior loyalty). Thus the influence of trust on price unfairness perceptions will likely depend on the specific stage of a buyer–seller relationship (Xia et al., 2004). Indeed, existing research suggests that when trust is based on competence beliefs about the retailer, the trust should mitigate or "buffer" buyers' potential negative attributions (Xia et al., 2004). Based on Social Judgment Theory, Ganesan et al. (2010) explained such buffering as a way that consumers assimilate the firm's behavior. According to these authors, a consumer's negative perceptions could be lessened if the firm's

behavior falls within a "latitude of acceptance," not too far outside the range of the consumer's expectations. Appling this theory to the context of trust and reputation, and also in line with prior research on these topics (Campbell, 1999; Xia et al., 2004; Garbarino and Maxwell, 2010), we posit that this buffering effect will occur when consumer trust is based on competence beliefs about the firm, because competence implies that consumers believe that the firm *knows what it is doing*.

In contrast, the opposite effect has been suggested when trust is based on benevolence beliefs. In this case, we predict that benevolence trust will lead the consumer to consider the firm's actions as particularly egregious given the consumer's long-term interactions with the company, making its actions stand out as worse, rather than being buffered, thereby increasing a consumer's unfairness perceptions for the price change. Garbarino and Maxwell (2010) found that trust lessened the impact of a seller's norm-breaking behavior on perceived price unfairness, but the buffering diminished as trust increased, indicating that feelings of betrayal (or at least annoyance) occur for consumers with strong trust in the retailer. We will posit and test that this strong trust is more likely to be related to benevolence trust, since this kind of trust develops with repeated transactions between buyers and the seller (Sirdeshmuk et al., 2002). We will also test and show that these different effects of competence and benevolence trust are moderated by *retailer reputation*.

Thus building on theory and prior studies, we hypothesize that trust beliefs will have a direct and indirect impact on consumers' reactions to a disadvantaged price inequality experience through perceived price unfairness toward online revenge intentions. In testing these relationships, our model adds to the literature by explaining how unfairness judgments are made within the social context of a buyer–seller exchange relationship (Xia et al., 2004). That is, our model moves beyond the transaction-specific perspective to a more relational one that highlights both players—the retailer who applies the pricing tactic and the customer who "suffers" from it. From the retailer's perspective, prior research suggests that the extent to which a disadvantaged price

inequality could be perceived as more or less unfair depends on the extent to which this practice fits with what can be expected from the retailer's behavior, which is directly related to the retailer's reputation (Campbell, 1999; Hess, 2008; Helm, 2013). From the customer's perspective, different customer segments in terms of their prior relationship with the retailer (non-loyal versus loyal) differ in their responses to the same dynamic pricing tactic as evidenced in prior research (Tsai and Lee, 2007; Martin et al., 2009; Theotokis et al., 2013; Weisstein et al., 2013). The nature and direction of the influence will depend on the specific trust dimension emphasized by consumers (i.e., competence and benevolence), and moderated by retailers' reputation (good vs. average) and consumer segments (loyals vs. non-loyal), resulting in a model of moderated moderation and mediation effects[3]. In the following sections, we provide more detail on these moderators and we present our hypotheses.

Relational Moderators: Retailer Reputation and Consumer Loyalty

Retailer Reputation. The model in Figure 1 includes two classes of moderators that the literature suggests are likely to influence how perceived price unfairness affects subsequent consumer reactions—whether the retailer is known by customers to have a good reputation or not, and whether the consumer is loyal or not.

First, the extent to which a disadvantaged price inequality is perceived as unfair will likely depend on whether the practice fits with what is expected from that retailer's typical behavior, that is, whether it is consistent with the retailer's reputation (Campbell, 1999; Hess, 2008; Helm, 2013). Gotsi and Wilson (2001, p.28) defined firm reputation as "a dynamic concept that takes time to build and manage and is largely dependent on the everyday images that people form of an organisation based on the company's behaviour, communication and symbolism." Good reputations reflect the value of being "a good company" and are earned over time by a retailer's superior performance in serving its customers with high quality goods and services and doing so honestly, based on direct consumer experience or word of mouth from others (Brown et al., 2005;

[3] *Conditional effects* as defined by Hayes (2013) and Preacher et al. (2007).

Helm, 2013; Hess, 2008; Highhouse et al., 2009; Neville et al., 2005; Walsh and Beatty, 2007). A good reputation can serve as a heuristic that reduces transaction costs and perceived risks for customers, stimulating purchase behavior (Chun, 2005). In this virtuous cycle, by improving relationship quality with customers, companies with good reputations enjoy greater customer trust and loyalty (e.g., Andreassen and Lindestad, 1998; Keh and Xie, 2009; Caruana and Ewing, 2010), and a formidable competitive advantage (Keh and Xie, 2009; Walsh and Beatty, 2007).

We propose that the effects of both dimensions of trust will be moderated by firm[4] or retailer reputation. Existing research based on Attribution Theory indicates that consumers may use the reputation of a firm to make inferences about it, and predict its future actions according to what the reputation signals (Rhee and Haunschild, 2006), such as the notion of a good reputation providing a buffer that may insulate firms from some negative consequences of their actions. Research suggests this effect is linked to competence trust in early stages of the buyer-seller relationship because it signals the seller's capability to fullfit its obligations with its customers (Xia et al., 2004). Consumers may give a seller with a good reputation the benefit of the doubt, inferring good motives for a price increase based on the expected competence of the seller. Consequently, for a retailer with a good reputation, competence trust should decrease buyers' price unfairness perceptions.

On the other hand, some studies suggest the opposite, that having a good reputation could have a downside when firms get into trouble (Rhee and Haunschild, 2006; Lenz et al., 2017). Specifically, customers have high expectations for companies with good reputations (Rindova et al., 2005), and an unfair price situation may violate those expectations, possibly leading to worse outcomes. Thus good reputations and high expectations make a double-edged sword (Helm, 2013; Lenz et al., 2017; Rhee and Haunschild, 2006). We will test and show that these different predictions of firms' reputations may be explained by considering whether consumers are focusing on competence or benevolence trust.

[4] The terms "firm" and "retailer" reputation are used interchangeably throughout this paper.

Retailer Reputation and Competence Trust. We anticipate and test that potential positive effects of trust on perceived price unfairness will occur when the consumer does not feel as "personally" involved with the company, a non-loyal customer, that is for consumers emphasizing competence trust (Singh and Sirdeshmukh, 2000; Walsh and Betty, 2007; Xia et al., 2004), This relationship will be different when customers have a longer-term exchange with multiple encounters with the firm; the customer may feel more "personally" involved, and they are likely to emphasize benevolence rather than competence beliefs about the company with a good reputation, as explained shortly.

In contrast, for companies with average or poor reputations, such as due to the company's emphasis on value or low prices over quality, we predict that competence trust will have the opposite effect, that these companies will not enjoy the benefit of the doubt among their customers. In this situation, such competence beliefs would likely be based on different signals such as the retailer size or store environmental cues (Wood et al., 2008). For instance, a big retailer with a long-term presence in the market and a reputation based on aggressive low-pricing strategy may not signal competence in terms of the seller's fulfillment of their customers' needs, but its experience and size could be sufficient for competence trust (McKnight et al., 1998). Thus, if this customer experiences an unfair situation, and the retailer does not enjoy a good reputation, then the consumer does not have any reason to give the retailer the benefit of the doubt. The firm would receive no buffer effects, instead, it would lead to an intolerance from the consumer, contributing further to perceptions of the disadvantaged price situation as unfair. That is, although a consumer may trust the competence of a retailer with an average reputation, this competence trust would imply that the seller knows what it is doing when increasing prices, therefore the consumer may attribute a price increase to bad motives, such as taking advantage of consumers (Campbell, 1999; Homburg et al., 2005; Sirdeshmuk et al., 2002). Accordingly, we propose that retailer reputation is a moderator with competence trust on perceived price unfairness:

> H1: A disadvantaged price inequality situation will seem more unfair to consumers with *competence trust* in a retailer with an *average* (vs. good) *reputation*.

Retailer Reputation and Benevolence Trust. In contrast to the predictions of competence trust, benevolence trust should make the disadvantaged price inequality experience seem more unfair due to the consumer's perceptions of betrayal based on their longer-term relationship of loyalty to the company, for both good and average retailers. This more "interpersonal" trust dimension emerges when buyers consider themselves as loyal customers (Sirdeshmuk et al., 2002), and thus they begin to interpret the seller's actions more "personally" (Xia et al., 2004). Based on benevolence trust, loyal customers expect retailers to reciprocate their desire to maintain their relationship, believing that they deserve special treatment as a benefit in exchange for their loyalty (Sirdeshmuk et al., 2002). Thus, if loyal customers pay a price that is higher than their comparative standard, they may believe that the retailer is engaging in unfair practices (Tsai and Lee, 2007; Weisstein et al., 2013), and judge the company as having broken the implicit trust and betrayed their good commercial, working-relationship (Sirdeshmuk et al., 2002; Martin et al., 2009). Thus based on the literature, our model proposes that benevolence trust will exacerbate the effect on perceived price unfairness, increasing the unfairness, making it worse.

In addition, we predict that retailer reputation moderates the effect, such that feelings of betrayal will be stronger for a retailer with a good reputation, compared to a retailer with an average reputation (Sirdeshmuk et al., 2002; Walsh and Beatty, 2007). Existing research in retailing shows that perceived betrayal is greater when it occurs in the context of close relationships between customers and retailers (Finkel et al., 2002; Grégoire and Fisher, 2008). Building a good reputation requires a clear approach to develop relationships over time with customers (Walsh and Beatty, 2007) and such efforts may lead firms to gain more "real" loyal customers, that is, attitudinal, affective and commitment-based loyalty and not just repeated purchases (Oliver, 1999; Gustafsson et al., 2005; Keh and Xie, 2009). The positive association between a good reputation and commitment-based loyalty has been found in previous research, both in online (Caruana and Ewing, 2010) and traditional shopping contexts (Andreassen and

Lindestad, 1998; Chia-Hung, 2008). This kind of loyalty, benevolence in our study, is what one should expect to trigger feelings of betrayal if the retailer acts in an unfair way.

Retailers with average or even poor reputations can nevertheless also develop some kind of loyalty if, for example, they base their reputation on, say aggressive low pricing strategies. These kind of retailers, however, are more likely to develop what is known as "spurious loyalty" (Dick and Basu, 1994), such as when customers repurchase for convenience, low price, or lack of alternatives (Jones et al., 2002; Shankar et al., 2003). Consumers may preserve the relationship with the retailer simply to avoid switching costs (Ganesan et al., 2010; Gustafsson et al., 2005).

In short, loyalty to an average firm will probably lack the basis of benevolence (Martin et al., 2009), and therefore there is no reason for loyal customers to take a seller's actions "personally" or to feel betrayed or annoyed if the retailer behaves unfairly through its pricing strategy. Accordingly, we argue that whereas benevolence trust is more likely to have a stronger effect on perceived price unfairness when the retailer has a good reputation, for a retailer with an average reputation, the relationship is more likely to be based on transaction utility, thus attenuating a negative effect on perceived price unfairness. The relationships among these constructs may be stated formally:

> H2: A disadvantaged price inequality situation will seem more unfair to consumers with *benevolence trust* in a retailer with a *good* (vs. poor) *reputation*.

Together, H1 and H2 imply that we expect trust to play a negative role in perceptions of price unfairness in most cases. For retailers with an average reputation, trust is hypothesized to increase unfairness, with a weaker effect for benevolence. For retailers with a better reputation we posit stronger effects for benevolence trust. Finally, in our framework we hypothesize that trust can reduce unfairness perceptions for good retailers with consumers emphasizing competence trust.

Regarding the influence of price unfairness on further retaliatory behaviors, we predict both direct and indirect effects. First, we expect more negative direct consequences of perceived price unfairness in terms of retaliatory behaviors for a retailer with a good reputation. If a good

company prices unfairly, that action violates the high expectations for the good company's conduct, so perceptions of price unfairness would likely have worse consequences (Rhee and Haunschild, 2006). High expectations are more logically linked to loyal customers, or customers with a history or relationship with the company.

Moreover, a good reputation may be viewed as a valuable resource that can greatly benefit the firm in several important ways, such as enjoying a better market position or charging a price premium for all customers (Keh and Xie, 2009). If a retailer enjoys the benefits of having a good reputation and yet behaves in a manner perceived to be unfair, the buyer who suffers such unfairness may feel that the retailer does not deserve such benefits, leading to a stronger motivation to punish the retailer through retaliatory behaviors (Tuzovic et al., 2014). A highly visible example of this was called the "Starbucks Dorosin Case." Mr. Dorosin was a former loyal customer of Starbucks Coffee, but after a poor experience with the company, he became so infuriated that he purchased a series of ads in the *Wall Street Journal* criticizing Starbucks, publicizing his story with a book, a website, and media interviews on national television (Grégoire and Fisher, 2008). Retailers thus with good reputations are expected to develop better and closer relationships with their customers than retailers with average reputations, so we expect that the negative effects of perceived price unfairness on consumers' online revenge intentions will be stronger for retailers with good reputations. Thus:

> H3: Perceived price unfairness will increase consumers' online revenge intentions more for a retailer with a good reputation than for a retailer with an average reputation.

Next, trust is likely to also *indirectly* influence consumers' online revenge intentions through perceptions of price unfairness. Trusting beliefs will influence retaliatory behaviors depending on the cognitive appraisal process, that is, the extent to which the price inequality is appraised as unfair (Lazarus, 1991; Stephens and Gwinner, 1998). Thus, we anticipate that unfairness perceptions mediate the influence of both competence and benevolence trust on subsequent consumer behavior. In addition, given that direct paths between "trust → perceived price unfairness" and "perceived price unfairness → online revenge intentions" for both trust

dimensions are expected to be moderated by retailer reputation, we further expect that the indirect effects will be also moderated by reputation, showing a pattern of moderated mediation (Muller et al., 2005; Iacobucci et al., 2007).

Indirect effects of both competence and benevolence trust are expected to be stronger for a retailer with a good reputation, in part because the direct path of perceived price unfairness on online revenge intentions should be stronger for this retailer. When trust is based on competence beliefs for a retailer with a good reputation, we expect perceptions of price unfairness should be somewhat attenuated (due to the good reputation), so online revenge intentions should also be somewhat diminished. Yet for retailers with a lesser (more average) reputation, competence trust is expected to exert the opposite indirect influence, increasing customers' online revenge intentions. Thus retailer reputation will moderate the indirect effect:

> H4: The *indirect* effect of *competence trust* on online revenge intentions through perceived price unfairness will be negative (positive) for retailers with good (average) reputations.

When trust is based on benevolence beliefs about the retailer, it will indirectly increase online revenge intentions for both types of retailers. However, following the same rationale as in H2 and H3, the indirect influence of benevolence trust should be stronger for a retailer with a good reputation. Therefore, we hypothesize retailer reputation to moderate this indirect effect:

> H5: The *indirect* effect of *benevolence trust* on online revenge intentions through perceived price unfairness will be *more* (less) pronounced for retailers with good (average) reputations.

Consumer Loyalty. Next, customer segments vary in terms of their relationship with retailers, and *loyal* vs. *non-loyal* customers are likely to respond differently to varying pricing (e.g., Tsai and Lee, 2007; Martin et al., 2009; Theotokis et al., 2012; Weisstein et al., 2013). Marketing scholars have argued that loyalty has both attitudinal and behavioral aspects, that is, manifest in both preferences and repeat purchasing (Dick and Basu, 1994; Kumar and Shah, 2004; Martin et al., 2009; Oliver, 1999; Reinartz and Kumar, 2000).

In our model, we expect the differential effects of benevolence and competence trust to depend on customer loyalty. Given that competence trust is typically found to be more important

during early stages of a relationship, while benevolence trust increases as the relationship develops and buyers begin to consider themselves as *loyal customers* (Singh and Sirdeshmukh, 2000; Xia et al., 2004), we expect competence trust to be more important than benevolence for non-loyal customers in affecting their perceptions of price unfairness, whereas loyal customers have a relationship with the retailer, so they are more likely to base their judgments emphasizing benevolence trust over competence beliefs (Xia et al., 2004). We propose that different customer segments (in terms of loyalty) will emphasize different trust dimensions, specifically:

> H6: For *non-loyal customers*, *competence trust* will have a stronger influence on perceived price unfairness, whereas for *loyal customers*, *benevolence trust* will have a stronger influence (the positive or negative sign of the relationship depends on retailer reputation, as argued in H1 and H2).

Customer loyalty somewhat implies an existing seller-customer relationship, and one might therefore anticipate that loyalty should buffer a customer's response to unfair retailer's actions (Hess et al., 2003; Grégoire and Fisher, 2008; Lee et al., 2013; Martin et al., 2009). Similar to effects for reputation, the limits on buffering (Garbarino and Maxwell, 2010) suggest loyal customers, who usually believe that they deserve special treatment in exchange for their loyalty, may judge a seller's pricing tactics as having betrayed their good relationship (Sirdeshmukh et al., 2002), leading to an even more unfair price perception (Feinberg et al., 2002; Tsai and Lee, 2007; Weisstein et al., 2013). This negative influence of loyalty on consumers' responses to retailers has been called the *"love becomes hate"* effect (Grégoire and Fisher, 2008; Grégory et al., 2009). This effect has been explained as an amplification of a negative event within the context of a strong, long-term relationship (Grayson and Ambler, 1999; Theotokis et al., 2012). For instance, in a longitudinal study, Grégoire et al. (2009) found that for loyal customers, the negative consequences of being treated unfairly lasted longer as compared to less loyal customers. Accordingly, we propose the following hypothesis:

> H7: The effect of perceived price unfairness on online revenge intentions will be stronger for loyal than for non-loyal customers.

Given that benevolence trust should play a greater role in the unfairness judgments of loyal customers, we also predict stronger *indirect* effects on their reactions (compared to non-loyal customers who rely more on judgments of competence trust). Thus we will test for different indirect effects of trust on online revenge intentions for different segments:

> H8: For non-loyal (loyal) customers, competence trust (benevelonce trust) will have a stronger indirect influence on online revenge intentions.

***Retailer Reputation with Consumer Loyalty*.** Finally, we propose interactions between retailer reputation and customer loyalty. In particular, the proposed "*love becomes hate*" effects implies a strong relationship between the customer and the retailer (Grégoire and Fisher, 2008). Hence we anticipate that *loyal* customers of retailers with *good* reputations will be more likely to show this effect when experiencing a disadvantaged price inequality. That intensity will be attenuated for a retailer with an average reputation, and thus the different responses attributed to different customer segments (non-loyal versus loyal) will be stronger for those retailers with a good reputation. Accordingly, the moderating effect is:

> H9: Differences between non-loyal and loyal customers in their reactions to price unfairness will be stronger for a retailer with a good (vs. average) reputation.

Methodology

To build on previous research on price (un)fairness (e.g., Homburg et al., 2005; Tsai and Lee, 2007; Martin et al., 2009; Gelbrich, 2011), we also use an online survey describing disadvantaged price inequality situations from our research model. Using industry evidencefrom multiple reports,[5] two retailers were selected, one with a recognized good reputation (Retailer A) and one was a retailer with an average reputation (Retailer B) (as our results confirm). Both retailers are widely known brands with extensive distributional locations. In the scenario, a participant was asked to assume that he/she planned to visit another city with his/her friends in a few weeks, for a vacation weekend. For that purpose, the respondent has to book a hotel room

[5] https://asociaciondec.org/wp-content/uploads/2016/08/indice-Stiga-de-Satisfaccion-del-Consumidor-Espanol.pdf; https://ws-web-stg.stigacx-on.com/descarga.aspx?f=ISCX-2017.pdf; https://www.ocu.org/organizacion/prensa/notas-de-prensa/2010/supermercados-valoramos-precio-surtido-y-calidad503624.

using the online site of the retailer, with no possibility of cancellation. The scenario further describes that the same day the respondent talks to one of his/her friends who tells him/her that he/she booked a room with the same features and in the same hotel through the same retailer's web site, but is paying a 30% lower price, a price difference consistent with previous research (Gelbrich, 2011; Ashworth and McShane, 2012).

All of our measures shown in Table 1 were based on existing scales. Similar to prior research (e.g., Joshi, 2010; Riquelme, Román and Iacobucci, 2016), a qualitative pretest of the questionnaire was conducted with interviews with twelve consumers and four academics who were familiar with the research topic. Pretesting is thought to be particularly important for online surveys because respondents will not be able to ask questions while completing the survey online (Evans and Mathur, 2005). Several items were revised for clarity and comprehension and others were adapted to the online retailing context of this study. The questionnaire was subsequently pretested with a sample of 218 individuals, 105 of whom were randomly assigned to consider Retailer A (good reputation) and 113 were asked to consider booking a hotel with Retailer B (average reputation), to check for the expected differences in perceived reputation of the retailers, as well as the validity of the scenarios. This pretest was conducted with a sample, 61.5% of whom were students. The majority were female (67%), between the ages of 18 and 25 (57.3%). No significant differences in these respondent characteristics were found between the two samples. Results confirmed the differences between retailers in terms of their perceived reputations (F = 61.64; $p < 0.01$), being, as expected, significantly higher (3.8) for Retailer A than for Retailer B (2.9).

Data Collection and Sample. Nine hundred ninety seven participants (499 for the Retailer A with a good reputation and 498 for Retailer B with an average reputation) were recruited from a market research firm's online panel and compensated for their participation. The panelists had participated in other online surveys and were thus familiar with this type of data collection. Participants were selected to be representative of the population in terms of age and gender (cf.,

Weisstein et al., 2013). Participants were randomly assigned to consider Retailer A or B (good or average reputation, respectively) and experienced the disadvantaged price inequality.

The sample was comprised of 50.2% females, 59.1% of the sample was between the ages of 25 and 50, and 66.3% had a college degree (with no significant differences between the samples). On average, participants had booked a room five times over the last year, with no differences between the samples ($F = 0.93$; $p > 0.05$). These experiences suggest sufficient knowledge of hotel booking to participate in the study.

Trust, retailer reputation, and consumer loyalty were presented before reading the scenario. We differentiated between non-loyal and loyal customers measuring loyalty through traditional measures of attitude as well as purchase frequency, a proposition suggested and applied in several studies (e.g., Chiou and Droge, 2006; Dick and Basu, 1994; Martin et al., 2009). Dependent variables were perceived price unfairness and online revenge intentions.

Results

Manipulation Checks. Manipulations in the scenario followed the same methods used in previous research (e.g., Grewal et al., 2004; Martin et al., 2009). All participants in both samples indicated that the price they paid in the scenario was higher than the price paid by their friend, which confirms the manipulated disadvantaged price inequality. In addition, participants confirmed that both scenarios (for Retailer A and B) were perceived as credible (perceived $\text{credibility}_{\text{RetailerA}} = 3.70$; perceived $\text{credibility}_{\text{RetailerB}} = 3.71$; $F = 0.06$; $p > 0.05$). The reputation manipulation results indicated a significant difference ($F = 65.16$; $p < 0.01$) as expected between Retailer A (good reputation, 3.6) and Retailer B (average reputation, 3.2), confirming the pretest as well as findings from industry reports.[6]

Instrument Validation. Prior to testing the research hypotheses, the constructs were assessed for convergent and discriminant validity via confirmatory factory analysis. We checked

[6] To address a concern raised by a reviewer regarding the non-experimental nature of these field data, we fit alternative models, and present their lesser fits in the limitations section of the discussion.

the unidimensionality of each construct[7]. Measurement models had excellent fits for both Retailer A ($\chi^2(120) = 256.32$, $p < .01$; GFI = 0.94; AGFI = 0.92; NNFI = 0.99; CFI = 0.99; RMSEA = 0.05; RMSR = 0.05) and Retailer B ($\chi^2(120) = 252.78$, $p < .01$; GFI = 0.94; AGFI = 0.91; NNFI = 0.98; CFI = 0.99; RMSEA = 0.05; RMSR = 0.05). The observed normed χ^2 for Retailer A and Retailer B was 2.14 and 2.11 respectively, less than 3, also indicating good model fits (Fornell and Larcker, 1981).

Following the procedures suggested by Bagozzi and Yi (1988) and Fornell and Larcker (1981), convergent validity was assessed by verifying the significance of the *t*-values associated with the parameter estimates. As shown in Table 1, the standardized path loadings for all of the questions were positive and statistically significant ($p < .01$) for both samples. Reliability of the measures was also confirmed with the composite reliability index (> .60; Bagozzi and Yi, 1988) and the average variance extracted (> .50; Bagozzi and Yi, 1988, p.80) for all latent constructs in both samples (Table 2). Discriminant validity was tested by comparing the average variance extracted by each construct to the shared variance between the construct and all other variables (Fornell and Larcker, 1981). For each comparison, the explained variance exceeded shared variances, in both samples, thus confirming discriminant validity, shown in Table 2. The convergent and discriminant tests confirm that the scales showed good psychometric properties.

*** Insert Tables 1 and 2 about here ***

Differences between Retailers. Hypotheses 1 through 5 contain moderated effects, whereby the direct and indirect relationships between perceived price unfairness, its antecedents and consequences are expected to differ according to the type of retailer. To establish whether these hypothesized differences were statistically different, multi-group analyses were performed using LISREL 8.8, in a series of nested models to examine group differences. To test H6 through H9, further multi-group analyses were conducted for each retailer sample in order to evaluate the

[7] To select the appropriate estimation method, we first checked the multivariate normality of the entire sample. The Mardia test rejected this assumption, so we thus proceded with Maximum Likelihood estimated via Satorra-Bentler's (2010) correction (based on the asymptotic covariance matrix), which provides robust estimates of parameters even for non-normal distributions.

expected differences between loyal and non-loyal customer segments for each retailer sample.

Before proceeding with these multi-group analyses, the structural model fit for the separate samples for Retailer A and Retailer B were tested (Byrne, 2008). The results from the structural models for both Retailer A ($\chi^2(50) = 92.29$, $p < .01$; GFI = 0.97; AGFI = 0.95; NNFI = 0.99; CFI = 0.99; RMSEA = 0.04; RMSR = 0.06) and Retailer B ($\chi^2(50) = 117.97$, $p < .01$; GFI = 0.95; AGFI = 0.93; NNFI = 0.98; CFI = 0.98; RMSEA = 0.05; RMSR = 0.06) revealed evidence of good fit. The multi-group analysis first checked for the invariance of the measurement model across the two samples (Vandenberg and Lance, 2000). Based on the multigroup analysis, partial metric invariance was established, with only two out of twelve estimated factor loadings appearing to vary across contexts. Thus, consistent with prior research, when performing the invariance tests of the structural relationships, these factor loadings were set free, for partial measurement invariance (Byrne, 2001; 2008). These results were sufficient for testing differences in structural coefficients between the Retailer A and Retailer B samples (Byrne, 2001).

Multigroup analyses were then conducted to test differences in structural path coefficients. Specifically, structural invariance was tested by evaluating the two samples nested in a hierarchical sequence with the less restrictive model (i.e., estimated with all structural paths freed, see M_4 in Table 3) used as a baseline for the evaluation of the more restrictive model (i.e., all structural path coefficients constrained to be equal across the two samples, see M_5 in Table 3; Vandenberg and Lance, 2000). The resulting χ^2 difference test was significant ($\Delta\chi2$ (3) = 20.19; $p < .01$), indicating that the structural path coefficients were not invariant across contexts. To examine individual hypotheses, a series of comparisons of the two retailer samples were conducted for each hypothesized path (Byrne, 2008). Results in Table 3 show support for H1-H3 regarding the moderating effect of retailer reputation. Specifically, the strength of the relationship between competence trust and perceived price unfairness was significantly different across retailers ($\Delta\chi_1^2 = 5.12$; $p < .05$). Parameter estimates confirmed the negative effect of competence

trust on price unfairness for Retailer A (γ_A = -0.24, $p < .05$) and the opposite effect for Retailer B (γ_B = 0.14, $p < .05$). These results support H1.

*** Insert Table 3 about here ***

As predicted in H2, our results also support the expected differences in effects of benevolence trust on price unfairness ($\Delta\chi_1^2 = 3.77$; $p < .05$), showing a positive influence in the Retailer A sample (γ_A = 0.28, $p < .05$), and no significant effects (γ_B = -0.04, $p > .05$) in the Retailer B sample.

Regarding H3, our results support the expected differences between retailers only at a marginal level ($\Delta\chi_1^2 = 3.63$, $p = 0.06$). The positive effect of price unfairness on online revenge intentions was slightly larger for the good Retailer A (β_A = 0.40, $p < .05$) than for the average Retailer B (β_B = 0.31, $p < .05$).

Hypotheses 4 and 5 contend moderated mediation effects, where indirect effects of trust dimensions on consumers' online revenge intentions through perceived price unfairness were expected to differ between retailers. To test these relationships, we used a multigroup SEM[8] analysis by (1) estimating one model with the direct and indirect paths fit simultaneously and freed across the two samples (Retailer A vs. Retailer B) to estimate effects while partialling out or statistically controlling for all other effects; (2) comparing this model with one in which the direct and indirect paths are constrained to be equal across the two samples; and (3) evaluating the significance of the indirect effects estimated in the freed model to check the relative sizes of the indirect (mediated) vs. direct paths in each group (Iacobucci et al., 2007). Results in Table 4 confirm that competence trust has an indirect influence on online revenge intentions through perceived price unfairness that differs between retailers. Specifically, for Retailer A (good reputation), this trust dimension indirectly decreases online revenge intentions (*indirect effect* = -0.10; $p < .05$), whereas for Retailer B (average reputation) this indirect effect was weaker and in the opposite direction (*indirect effect* = 0.04; $p < .10$), which supports H4. Similarly, the indirect

[8] We also calculated bootstrapped confidence intervals shown in Table 4.

effect of benevolence trust on online revenge intentions through perceived price unfairness was stronger and positive in the Retailer A sample (*indirect effect* = 0.11; $p < .05$), and weaker and not significant in the Retailer B sample (*indirect effect* = -0.01; $p > .05$), thus confirming H5.

*** Insert Table 4 about here ***

We had also posited a fully mediating role of perceived price unfairness in the trust dimensions links to online revenge intentions. To evaluate whether perceived price unfairness fully or only partially mediates the relationships between trust dimensions and online revenge intentions, we tested two alternative models. First, we added a direct path from competence trust to online revenge intentions in each retailer sample, and compared the resulting fit. Within the Retailer B sample, this model had a $\chi^2(49)$ value of 117.87. Neither the decrease of the chi-square (from the $\chi^2(50)$ value of 117.97) ($\chi^2(1) = 0.10$; $p > .05$) nor the new path were significant ($\gamma_B = -0.05$, $p > .05$). However, the direct effect of competence trust on online revenge intentions was significant for Retailer A ($\gamma_A = -0.14$, $p < .05$), and the new direct path significantly decreased the chi-square χ^2 of 92.29 to 85.98 ($\chi^2(1) = 6.31$; $p < .05$), indicating a significant improvement of the model. Next, a similar analysis was conducted by adding a direct path of benevolence trust to online revenge intentions. The decrease in chi-square was not significant in either sample (Retailer A $\chi^2(1) = 1.99$; $p > .05$; Retailer B $\chi^2(1) = 0.49$; $p > .05$), and the new path was not significant for either retailer, indicating it was not necessary or meaningful empirically.

These results offer strong support for our research model, confirming that, for Retailer B (with the average reputation), indirect effects of both trust dimensions on online revenge intentions were fully mediated by perceived price unfairness. This full mediation of price unfairness was found for benevolence trust for Retailer A, and there was a direct influence of competence trust on online revenge intentions, so we can conclude that perceived price unfairness partially mediates the relationship between competence trust and subsequent consumers' reactions to price unfairness. For Retailer B, the direct effect of competence trust was not significant, thus,

we can conclude that competence trust influences consumers' behavioral intentions fully indirectly through perceptions of unfairness.

Differences by Customer Loyalty. Hypotheses 6 through 9 included expected differences between customer segments in terms of their previous loyalty (purchase frequency and intentions to repurchase), so we first segmented respondents in both retailer samples according to these variables. Customer segments were obtained by clustering respondents using purchase frequency as the objective measure and the customer loyalty attitude scale as the subjective measure (Dick and Basu, 1994). In this cluster-based segmentation, we used the k-means procedure and obtained two different groups, whereby within-group similarity is high and between-group similarity is low. Previous research has supported the validity of this technique for similar purposes (Green and Krieger, 1991). The cluster analyses yielded two groups of similar size, and clearly distinct in terms of the two scales employed (see Table 5). Based on their mean values, these customer segments were characterized as non-loyal customers (customers with little previous purchasing experience with the retailer and with low values of attitudinal loyalty) and loyal customers (strong frequency and loyal attitudes).

*** Insert Table 5 about here ***

H6 through H9 were then tested using multigroup analyses for both metric and structual invariance between non-loyal versus loyal customers' samples, for each retailer. Given that the previous analysis revealed a direct effect of competence trust on online revenge intentions for Retailer A, this additional path was also included for this sample. Results are shown in Table 6, and estimated paths are shown in Figure 2 for each retailer. Global differences between the freed and restricted models were significant for Retailer A ($\Delta\chi_4^2 = 32.46$; $p < .05$), but not for Retailer B ($\Delta\chi_3^2 = 1.29$; $p > .05$), which means, as predicted, only for Retailer A (with the good reputation) were significant differences between non-loyal versus loyal customers found. For Retailer B, the relationships between perceived price unfairness, its antecedents and its consequeces were the same for loyal and non-loyal customers. This result supports H9, indicating that differences

between customers' segments in terms of their loyalty are stronger for retailers with good reputations than for retailers with average reputations. It suggests that the "love becomes hate" effect appears for *loyal customers* of a retailer with a *good reputation*.

*** Insert Table 6 and Figure 2 about here ***

Interpreting these results for H6-H8, first for Retailer A (good reputation), the data indicate that the effects of both competence ($\Delta\chi_1^2 = 9.74$; $p < .05$) and benevolence ($\Delta\chi_1^2 = 28.00$; $p < .05$) on perceived price unfairness are different between non-loyal and loyal customers. These differences confirmed what H6 proposed, showing that, whereas for non-loyal customers only competence trust had a significant influence in determining price unfairness, for loyal customers such perceptions were determined by benevolence trust.

For H6, and as predicted by reputation (H1 and H2), trust of non-loyal customers in Retailer A's competence leads to lower perceptions of price unfairness ($\gamma_{\text{NON-LOYAL}} = -0.34$, $p < .05$), with no significant effects of benevolence trust ($\gamma_{\text{NON-LOYAL}} = 0.05$, $p > .05$). For loyal customers, benevolence trust showed significant effects on price unfairness, and in the opposite direction ($\gamma_{\text{LOYAL}} = 0.64$, $p < .05$). Thus, these findings confirm H6, and provide additional support for H1 and H2 in the Retailer A sample (good reputation).

Within the Retailer B sample (average reputation), both the non-loyal and loyal customer segments base their trust on competence beliefs about the retailer. That is, regardless of a customer's loyalty, competence trust is the only trusting belief that appears to be relevant for this type of retailer. This finding provides insights into the nature of the relationship that this kind of retailer develops with its customers (i.e., without benevolence trust). The additional path from competence trust to online revenge intentions for Retailer A (good reputation) was found to differ marginally between customer segments ($\Delta\chi_1^2 = 3.69$; $p = .06$), being stronger and negative for non-loyal customers ($\gamma_{\text{NON-LOYAL}} = -0.19$, $p < .05$) and not significant for loyal ones ($\gamma_{\text{LOYAL}} = -0.05$, $p > .05$). Thus, consistent with H6, competence trust significantly decreased online revenge intentions for non-loyal customers of retailers with good reputations.

Regarding H7, results within the Retailer A sample (good reputation) showed significant differences in the relationship between perceived price unfairness and consumers' online revenge intentions ($\Delta\chi_1^2 = 3.95$; $p < .05$), with a stronger positive effect for loyal ($\beta_{LOYAL} = 0.44$, $p < .05$) than non-loyal ($\beta_{NON\text{-}LOYAL} = 0.33$, $p < .05$) customers. Loyalty segments did not differ for Retailer B, thus, H7 was supported. Negative consequences of perceived price unfairness become stronger only for loyal customers of companies wth a good reputation, thereby also providing support for the "love becomes hate" effect in H9.

As predicted in H8, for Retailer A, we found significant customer segment differences. For non-loyal customers, the competence trust dimension had a significant indirect effect on online revenge intentions (*indirect effect* = -0.11, t = -2.98, $p < .05$), and the effect was not significant for loyal customers (0.02, t = 0.63, $p > .05$). Similarly, benevolence trust had a strong and positive indirect effect on online revenge intentions for loyal customers (*indirect effect* = 0.28, t = 5.23, $p < .05$), and not significant for non-loyals (0.02, t = 0.43, $p < .05$).

These results confirm H8. For non-loyal customers, indirect effects are only associated with competence trust, whereas for loyal customers, indirect effects were linked to benevolence trust. Moreover, as competence trust was found to directly decrease online revenge intentions of non-loyal customers, a retailer with a good reputation can benefit from their signals of competence and by reducing perceptions of price unfairness for non-loyal customers. For loyal customers, perceived price unfairness fully mediates the influence of benevolence trust on subsequent customer reactions, indicating that for loyal customers, unfairness perceptions play an important role in determining their possible negative reactions.

Discussion

This research provides important insights for both theory and practice. Beginning with the theoretical contributions, our research examined how judgments of price unfairness are made within the context of an exchange relationship. We covered important issues that have not been addressed previously, namely, how the different dimensions of trust that emerge at different

stages of the relationship may influence unfairness in different ways, based on the distinct nature of benevolence versus competence trust, the role that a retailer's reputation plays in generating consumer trust, and the customer's status as loyal or non-loyal.

Theoretical Implications. Our results contribute to the literature on trust and price unfairness in several ways. First, to the best of our knowledge, our study is the first to provide empirical evidence for propositions about the role of *trust in the buyer-seller relationship* in *perceptions of price unfairness* (cf., Xia et al., 2004). Several studies have discussed Xia's et al. (2004) framework (e.g., Martin et al., 2009; Garbarino and Maxwell, 2010; Theotokis et al., 2013; Tuzovic et al., 2014), yet, none had empirically tested those propositions. For instance, findings from Garbarino and Maxwell (2010) showed that prior trust in the firm acts as a partial buffer against the negative response to dynamic pricing, at a diminishing rate as prior trust increases. They further argued that the influence of prior trust on perceived price unfairness should differ across different trust dimensions or customer loyalty levels. Still, they did not specifically test these issues. Other studies have used the rationale of different trust dimensions to explain different responses to price unfairness for non-loyal versus loyal customers (Martin et al., 2009; Theotokis et al., 2013), but these studies did not include prior trust dimensions as specific variables in their models. Thus, to the best of our knowledge, evidence about the role of different trust dimensions on unfairness perceptions remained unexamined until now. Additionally, our findings are consistent with Kim and Peterson's (2017) contentions on trust in the online environment, in that the influence of trust on subsequent consumer perceptions and reactions is not simple and direct, but moderated by retailer reputation and customer loyalty and also contingent upon the specific trust dimension emphasized by the consumer in developing such judgments.

Second, by focusing on *two key moderators* in the buyer-seller dyad, namely customer loyalty segments and retailer reputation, our research provides a more comprehensive framework that begins to explain important differences. By showing how different dimensions of trust

interact with retailers' reputations, we have clarified some of the ambiguous effects found in prior studies regarding the influence of reputation on consumers' unfairness perceptions and reactions. For example, we are able to delineate those situations in which a good reputation may have positive or negative effects on consumer perceptions and reactions.

Third, our results more precisely *explicate the "love becomes hate" effect*, showing how loyalty can amplify negative consequences of perceived price unfairness. Negative effects can occur but only for retailers with good reputations, and our findings expand on this effect by adding to its theoretical foundations a more precise knowledge about *when*, *how* and *why* this damaging effect might occur. Moreover, this finding also adds to the marketing literature, demonstrating the positive relationship between a strong customer-based reputation and the development of commitment-based loyalty.

Moderated mediations confirmed that trust can indirectly lead to retaliation as a consequence of unfairness price perceptions for loyal customers of retailers with good reputations. This is another key finding, highlighting the importance of loyal customers' feelings of betrayal in an unfair price situation generated by a retailer with a good reputation. The extent to which trusting beliefs translate into subsequent behaviors depends on the integration of all factors in this research: benevolence and competence trust, retailer reputation, and customer loyalty.

Managerial Implications. Our research provides evidence and therefore guidance regarding how consumer trust beliefs about a firm can translate into subsequent behaviors through unfairness perceptions—that is, what will consumers do as a result of experiencing unfair pricing? Managers tend to know where their retail brand stands in the pecking order of good to average reputations, thus we condition our recommendations on that status. We begin with suggestions for marketing managers whose brand currently enjoys a good reputation.

Given our findings, we encourage retailers with a *good reputation* and good relationships with their customers to be particularly cautious if they are considering using dynamic pricing strategies—they have more to lose and the bad repercussions can be greater. *Loyal customers* are

more likely to believe in the *benevolence* of retailers with good reputations and they are more likely to react in a more negative way when they perceive unfair prices, because the situation will be interpreted through a lens of betrayal and nonreciprocal norms of exchange. In addition, the negative consequences of perceived price unfairness are worse for loyal customers of a retailer with a good reputation than for loyal customers of a retailer with an average reputation—perceptions of unfairness are increased, as are online revenge intentions. As a failsafe, in case explorations into dynamic pricing creates dissatisfaction, these retailers may wish to set up media to facilitate direct complaining to the company instead of public complaining online.

These same retailers with good reputations may benefit from *competence* trust of their *non-loyal* customers. For these customers, their trust beliefs reduce their online revenge intentions, consistent with the notion of a good reputation serving as a buffer. When customers trust the competence of the retailer, they may be more likely to believe that the retailer knows what it is doing, and given the lack of relationship with the firm, there would be no feelings of betrayal, thus these customers would be unlikely to engage in revenge behaviors such as posting online negative reviews or complaints.

Marketing managers of firms with good reputations may certainly desire to use dynamic pricing strategies to attract new customers, if they can avoid backlash from their existing base of loyal customers. To facilitate such a strategy, they might invest additional efforts to prevent or diminish the potential damaging consequences of price inequality and resultant unfairness perceptions, perhaps by providing an explanation for the price difference, or by beginning with small magnitudes of price differences.

For a retailer with a lesser (average) reputation, results revealed no differences between non-loyal and loyal customers. Thus, while retailers with a good reputation must be particularly careful with their loyal customers, retailers with a more average or questionable reputation need to be careful with all customers. That may sound daunting, but the good news is that, in a sense the marketing manager's task is simplified—there is one strategy for both segments. These retailers

need to focus their attentions on strengthening competence trust beliefs to attenuate possible negative effects, such as by behaving reliably to meet customer expectations. Even if these firms are known for merely providing the basics, some segments of customers will presumably continue to make purchases for reasons such as the reliability or perceived good value—their competence is in delivering on their basic proposition. That it, these firms can benefit from simply doing the basics well. Otherwise, these retailers may suffer—competence trust leads customers to infer that the retailer knows what is doing, which would increase the likelihood of attributing bad motives to its unfair pricing. Thus one strategy would be for such a retailer to invest less effort in developing strong relationships with their customers, and instead provide a different basis for interactions, founded more on the competence and transactional benefits, such as to be recognized or reaffirmed as market leaders in terms of value or low prices.

Limitations and Directions for Further Research. While the present research offers important theoretical and managerial implications, we recognize some limitations. Our study focused on booking a hotel room, but consumers can experience disadvantaged price inequalities in purchases of other services or goods, so future research could investigate other settings. Our study used two well-known, well-established retailers. Even though they were significantly different in terms of reputation (both in the pretest and the main study) and industry reports are in line with these findings, future research could manipulate reputation for two fictitious brands in a controlled lab-experiment to induce even greater variance on firm reputation.

In addition, a perennial concern with cross-sectional data for which the constructs are likely to be somewhat correlated is the issue of endogeneity and directions of causality. We fit numerous alternative models in which we reversed the roles of the exogoneous, mediator, and dependent variables. The alternatives had lesser theoretical support, of course, or else they would have comprised the focal model in this paper. In addition and perhaps more compellingly, none of their fits were adequate. For example, when considering price unfairness as an antecedent rather than mediator, with the two trust factors replacing the mediator role toward online revenge

intentions, the fit was worse than our focal model, $\Delta\chi^2 = 416.9$, and other traditional fit indices were also suboptimal, e.g., SRMR = 0.28, RMSEA = 0.60. Certainly any lingering concerns about the structure of the models could be further pursued in experimental scenarios, for example, our real world firms A and B presumably differ along several dimensions; however, we chose field surveys to highlight the generalizability of the phenomena, given the importance in today's online business. The results of our research should be very useful to online businesses, and we offer our models as potential theoretical explanations.

Our model can also be extended by incorporating additional antecedents and consequences of unfair price perceptions, such as consumer knowledge about pricing in general. Another avenue for further research could be to examine whether consumer trust changes after experiencing the disadvantaged price inequality. Moreover, if trust changes as a consequence of the experience, is the change different for different retailers, or for consumers who vary in their loyalty to the company? Furthermore, we had hypothesized (and found support for) trust preceding fairness perceptions, deriving that process from appraisal theory (such that the trust status helps formulate the interpretation of fairness), but certainly other relationships may be further investigated, such as a perceived price unfairness then reinforcing a consumer's status of trust.[9] In addition, while this study examined the effects of a price inequality in which consumers see price discrepancies not in their favor, it might be interesting to consider the logical counterpart of when the customer experiences a price advantage—might consumer loyalty increase, depending on retailer reputation and different dimensions of trust?

In conclusion, this research contributes to several lines of theoretical inquiry, extending and showing relationships among the focal constructs of benevolence and competence trust, disadvantaged price inequalities, perceived price unfairness, retailer reputation, customer loyalty segments, and customers' online retaliatory intentions. In addition, the results have clear implications for brand managers and CMOs of each class of retail firm, with a good or average

[9] We thank an anonymous Reviewer for this suggestion.

reputation, in how they treat their loyal and non-loyal customers.

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Table 1

Construct Measurement Summary: Results of Convergent Validity Tests

Constructs and Items [a]	Retailer A (**good** reputation) (n=499) Std. loading (t-value)	Retailer B (**average** reputation) (n=498) Std. loading (t-value)
Benevolence trust (Garbarino and Maxwell, 2010)		
[Firm name] considers the customer's welfare when making important decisions	0.78 (17.66)	0.67 (13.47)
[Firm name] has practices that favor the customer's best interest	0.91 (23.65)	0.88 (20.85)
[Firm name] acts as if the customer is always right	0.92 (25.31)	0.91 (24.26)
Competence trust (Kusari et al., 2013; Li et al., 2008)		
[Firm name] is very capable of performing its job	0.89 (19.60)	0.85 (20.34)
I am confident in the [firm name]'s ability to perform well	0.87 (19.42)	0.88 (19.70)
This [firm name] is highly competent	0.85 (17.87)	0.81 (16.83)
Perceived price unfairness (Darke and Dahl, 2003)		
The price I paid is unfair	0.82 (18.30)	0.78 (16.75)
The price I paid is unreasonable	0.89 (27.70)	0.84 (21.00)
The price I paid is unacceptable	0.90 (25.96)	0.90 (22.50)
Online revenge intentions (Grégoire et al. 2010; Tuzovic et al. 2014)		
I will make public on the internet the practices of [firm name]	0.69 (16.92)	0.58 (12.37)
I will post negative comments about [firm name] on social media to pay them back	0.90 (26.02)	0.89 (22.13)
I will report on Internet forums my negative experience with [firm name] to give them a hard time	0.92 (27.73)	0.91 (23.82)
Retailer reputation (Weiss et al., 1999)		
[Firm name] has a good reputation	0.79 (19.64)	0.77 (15.37)
[Firm name] is a highly regarded company	0.82 (19.18)	0.80 (16.71)
[Firm name] is a well-established company in the market	0.76 (13.53)	0.76 (15.31)
Customer loyalty (Pritchard et al., 1999)		
If I had to do it over again. I would buy from [firm name]	0.83 (24.02)	0.85 (26.84)
I consider myself to be a loyal customer of [firm name]	0.75 (20.47)	0.88 (26.73)
I try to buy from [firm name] because it is the best choice for me	0.90 (27.44)	0.92 (28.69)

[a] Items were measured on five-point Likert-type scales (1 = "strongly disagree" to 5 = "strongly agree").

TABLE 2

Mean, SD, Correlations, Average Variance Extracted (AVE) and Discriminant Validity

Retailer A (n = 499) **Good Reputation**	Mean	*sd*	AVE	1	2	3	4	5	6
1. Benevolence trust	3.53	0.83	0.76	*0.90*	0.43	0.02	0.00	0.50	0.32
2. Competence trust	3.75	0.78	0.76	0.66	*0.90*	0.00	0.03	0.66	0.31
3. Perceived price unfairness	4.03	0.93	0.76	0.13	-0.06	*0.90*	0.15	0.03	0.01
4. Online revenge intentions	3.07	1.09	0.71	-0.03	-0.17	0.39	*0.88*	0.05	0.01
5. Retailer reputation	3.63	0.80	0.62	0.71	0.81	-0.16	-0.22	*0.83*	0.48
6. Customer loyalty	2.92	1.06	0.69	0.57	0.56	-0.09	-0.10	0.69	*0.87*

Retailer B (n=498) **Average reputation**	Mean	*sd*	AVE	1	2	3	4	5	6
1. Benevolence trust	3.18	0.68	0.69	*0.87*	0.45	0.00	0.00	0.55	0.22
2. Competence trust	3.53	0.68	0.71	0.67	*0.88*	0.01	0.00	0.52	0.18
3. Perceived price unfairness	3.99	0.89	0.71	0.05	0.11	*0.88*	0.10	0.00	0.00
4. Online revenge intentions	3.06	0.98	0.65	-0.04	-0.01	0.32	*0.84*	0.01	0.00
5. Retailer reputation	3.24	0.65	0.60	0.74	0.72	-0.05	-0.12	*0.82*	0.32
6. Customer loyalty	2.67	0.98	0.78	0.47	0.42	-0.02	0.03	0.57	*0.92*

Scale composite reliability is reported along the diagonal of both matrices, shared variances of multi-item measures are reported in the upper half, and correlations are reported in the lower half.

TABLE 3

Model Comparison and Parameter Estimates

Model	$\chi 2$	*df*	*p*-value	GFI	NNFI	CFI	RMSEA
M_4: Unrestricted (All structural relationships free)	302.30	123	0.00	0.94	0.98	0.98	0.05
M_5: Restricted (Structural relationships invariant)	322.49	126	0.00	0.94	0.98	0.98	0.06
Difference in $\chi 2$	20.19	3	0.00	Conclusion: structural paths vary between retailers			

Paths 1-3 compared with restricted model	Chi-Square Difference (Δdf = 1)	Std. Path Coefficents (t-value)	
Free path:		Retailer A (**good** reputation)	Retailer B (**average** reputation)
Competence trust → Perceived price unfairness	$\Delta\chi^2 = 5.12^{**}$	γ = -0.24 (*t* = -3.47)	γ = 0.14 (*t* = 1.97)
Benevolence trust → Perceived price unfairness	$\Delta\chi^2 = 3.77^{**}$	γ = 0.28 (*t* = 4.00)	γ = -0.04 (*t* = -0.50)
Perceived price unfairness → Online revenge intentions	$\Delta\chi^2 = 3.63^{*}$	β = 0.40 (*t* = 8.01)	β = 0.31 (*t* = 6.20)

$^{*}p < .10$; $^{**}p < .05$

TABLE 4

Moderated Mediated Results with Retailer Reputation as Moderator

Indirect effects of trust dimensions through perceived price unfairness	Stdzd Indirect Path Coefficents (*t*-value)	
	Retailer A (**good** reputation)	Retailer B (**average** reputation)
Competence trust → Online revenge intentions	-0.10 (*t* = -3.22) [a]	0.04 (*t* = 1.87) [c]
Benevolence trust → Online revenge intentions	0.11 (*t* = 3.62) [b]	-0.01 (*t* = -0.50) [d]

Bootstrapped confidence intervals at 95%: [a] (-.09 – -.01); [b] (.04 – .12); [c] (-.06 – .01); [d] (-.04 – .03)

TABLE 5

Customer Segments from Cluster Analysis:
Mean Values of Purchase Frequency and Loyalty in Each Retailer Sample

	Retailer A (N=499) (**good** reputation)			Retailer B (N=498) (**average** reputation)		
	Non-loyal customers (n=279)	Loyal customers (n=220)	*F*	Non-loyal customers (n=288)	Loyal customers (n=210)	*F*
Purchase frequency	2.2	3.1	269.50*	2.3	3.6	543.77*
Consumer loyalty scale	2.2	3.9	807.42*	2.1	3.5	458.79*

* $p < .01$

TABLE 6

Model Comparison in Retailer A (good reputation) and Retailer B (average reputation) Samples

Model in Retailer A sample (retailer with **good reputation**)	$\chi 2$	*df*	*p*-value	GFI	NNFI	CFI	RMSEA
M_4: Unrestricted (All structural relationships free)	204.24	123	0.00	0.92	0.98	0.98	0.05
M_5: Restricted (Structural relationships invariant)	236.70	127	0.00	0.91	0.97	0.97	0.06
Difference in $\chi 2$	32.46	4	0.00	Conclusion: structural paths vary between customers			
Model in Retailer B sample (retailer with **average reputation**)	$\chi 2$	*df*	*p*-value	GFI	NNFI	CFI	RMSEA
M_4: Unrestricted (All structural relationships free)	271.81	125	0.00	0.90	0.96	0.96	0.07
M_5: Restricted (Structural relationships invariant)	273.10	128	0.00	0.90	0.96	0.96	0.07
Difference in $\chi 2$	1.29	3	0.73	Conclusion: structural paths do not vary between customers			

FIGURE 1

Research Model: Competence Trust and Benevelonce Trust × Retailer Reputation × Customer Loyalty Effects on Online Revenge Intentions

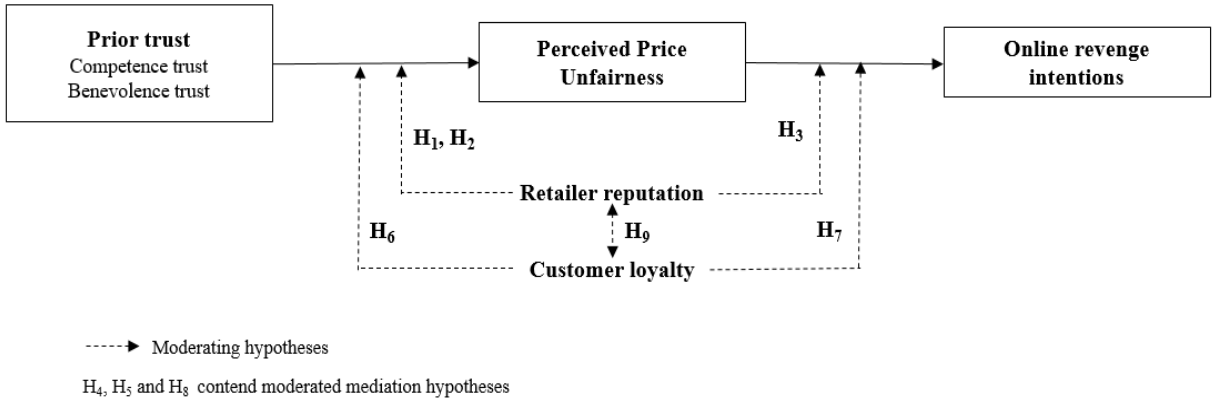
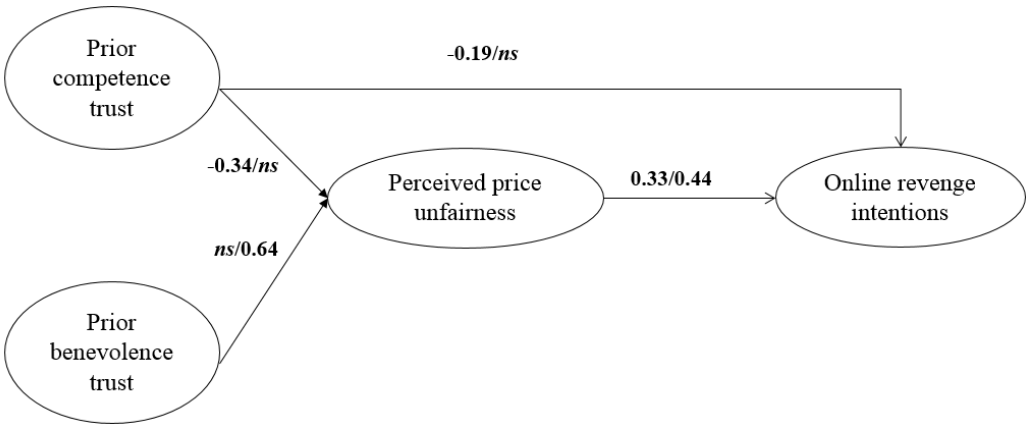


FIGURE 2a

Structural Model Estimated for Retailer A (**Good Reputation**):
Standardized Coefficients for Non-Loyal/Loyal Customers



In bold significant differences in the structural coefficients, ns is not significant

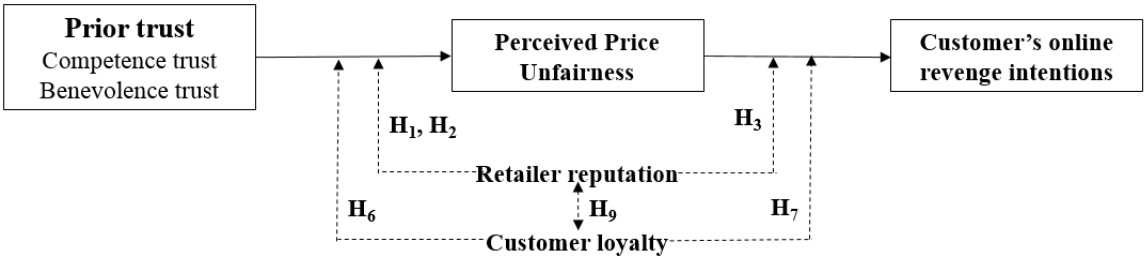
FIGURE 2b

Structural Model Estimated for Retailer B (**Average Reputation**):
Standardized Coefficients for Non-Loyal/Loyal Customers

Graphical Abstract (for review)

FIGURE 1

Research Model: Competence Trust and Benevolence Trust × Retailer Reputation × Customer Loyalty Effects on Online Revenge Intentions



Moderating hypotheses

H_4, H_5, and H_8 contend moderated mediation hypotheses

***Highlights (for review)**

Highlights:

1. A large study looked at the effect of consumer perceptions of price unfairness.
2. Perceived price unfairness increased some consumers' intentions for online retaliation.
3. Effects of competence vs. benevolence trust had different effects.
4. The trust effects were moderated by customer loyalty and retailer reputation.

Isabel P. Riquelme is an Assistant Professor of Marketing at the Universidad Miguel Hernández (Spain). Her articles have appeared in the *Journal of Interactive Marketing, Journal of Business Ethics, Ethics and Information Technology, Journal of Electronic Commerce Research, Electronic Markets*, as well as in several Spanish journals. Her research interests are focused on consumer psychology, online retailing, business ethics and socially responsible consumption.

Sergio Román is Professor of Marketing at the University of Murcia (Spain). His articles have appeared in the Journal of the Academy of Marketing Science, Journal of Interactive Marketing, Industrial Marketing Management, Journal of Business & Industrial Marketing, Journal of Business Research, Journal of Business Ethics, Electronic Commerce Research and Applications, European Journal of Marketing, International Marketing Review and Journal of Business & Psychology, among other journals. His research interests are focused on personal selling and sales management, business ethics and ecommerce.

Pedro J. Cuestas is Associate Professor of Marketing at the University of Murcia (Spain). His articles have appeared in the Journal of Business Ethics, British Journal of Educational Psychology, Studies in Higher Education, among other journals. His research interests are focused on pricing (consumer and industrial), corporate social responsibility, business ethics and ecommerce.

Dawn Iacobucci is Professor of Marketing at Vanderbilt University (previously at Kellogg and Wharton). Her research focuses on networks and methodological research questions. She has published in journals such as the *Journal of Interactive Marketing, Journal of Marketing, Journal of Marketing Research, Harvard Business Review, Journal of Consumer Psychology, Marketing Science, Psychometrika, Psychological Bulletin*, and *Social Networks*. She was editor of both the *Journal of Consumer Research* and *Journal of Consumer Psychology*. She is author of *Marketing Management*, *Marketing Models*, *Mediation Analysis*, and co-author with Gilbert Churchill on *Marketing Research*.