Ethicality of Algorithmic Pricing and Consumers' Resistance

Authors : Zainab Atia, Hongwei He, Panagiotis Sarantopoulos

Abstract : Over the past few years, firms have witnessed a massive increase in sophisticated algorithmic deployment, which has become quite pervasive in today's modern society. With the wide availability of data for retailers, the ability to track consumers using algorithmic pricing has become an integral option in online platforms. As more companies are transforming their businesses and relying more on massive technological advancement, pricing algorithmic systems have brought attention and given rise to its wide adoption, with many accompanying benefits and challenges to be found within its usage. With the overall aim of increasing profits by organizations, algorithmic pricing is becoming a sound option by enabling suppliers to cut costs, allowing better services, improving efficiency and product availability, and enhancing overall consumer experiences. The adoption of algorithms in retail has been pioneered and widely used in literature across varied fields, including marketing, computer science, engineering, economics, and public policy. However, what is more, alarming today is the comprehensive understanding and focus of this technology and its associated ethical influence on consumers' perceptions and behaviours. Indeed, due to algorithmic ethical concerns, consumers are found to be reluctant in some instances to share their personal data with retailers, which reduces their retention and leads to negative consumer outcomes in some instances. This, in its turn, raises the question of whether firms can still manifest the acceptance of such technologies by consumers while minimizing the ethical transgressions accompanied by their deployment. As recent modest research within the area of marketing and consumer behavior, the current research advances the literature on algorithmic pricing, pricing ethics, consumers' perceptions, and price fairness literature. With its empirical focus, this paper aims to contribute to the literature by applying the distinction of the two common types of algorithmic pricing, dynamic and personalized, while measuring their relative effect on consumers' behavioural outcomes. From a managerial perspective, this research offers significant implications that pertain to providing a better human-machine interactive environment (whether online or offline) to improve both businesses' overall performance and consumers' wellbeing. Therefore, by allowing more transparent pricing systems, businesses can harness their generated ethical strategies, which fosters consumers' loyalty and extend their post-purchase behaviour. Thus, by defining the correct balance of pricing and right measures, whether using dynamic or personalized (or both), managers can hence approach consumers more ethically while taking their expectations and responses at a critical stance.

Keywords : algorithmic pricing, dynamic pricing, personalized pricing, price ethicality

Conference Title : ICRM 2023 : International Conference on Relationship Marketing

Conference Location : New York, United States

Conference Dates : June 05-06, 2023

Open Science Index, Economics and Management Engineering Vol:17, No:06, 2023 publications.waset.org/abstracts/152296.pdf

International Scholarly and Scientific Research & Innovation 17(06) 2023   1   ISNI:0000000091950263