

Does Transparency Pay? Moral Perceptions of Personalized Pricing in the Retailing Context

Personalized pricing based on collected customer data promises high profitability for online retailers, yet is deeply unpopular with customers. New data protection regulations, however, oblige retailers to provide transparency, if they collect and use customer data for this purpose. Drawing on literature on consumer perceptions of personalized pricing and online privacy norms, we argue and find that increasing transparency about a personalized pricing strategy (i.e., disclosing the type of information for the pricing strategy) decreases consumers' likelihood to consent to such a pricing procedure. This negative effect is driven by an anger reaction as a response on the perceived norm violation of personalizing prices based on personal information. Further studies examine moral legitimation as a boundary of this negative transparency effect: Particularly, providing a moral justification, using less sensitive data, or the opportunity to participate in the pricing procedure (i.e., actively influence the price) reduce moral anger and increase likelihood to consent to the pricing procedure. Overall, our results contribute to literature on personalized pricing and consumer moral perceptions of online norms, and provide concrete advice for retailers how to communicate personalized pricing to their customers.