

“I will pay you more, as long as you are transparent!”: An investigation of the pick-your-price participative pricing mechanism

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ABSTRACT

Participative pricing strategies are increasingly common nowadays. In addition to have an impact on consumers' purchase decision, these pricing strategies can impact consumers' brand evaluations. This paper is an investigation of the Pick-Your-Price (PYP) strategy, which is the most novel participative pricing approach. Adopting a mixed-method approach, we shed light on consumers' perceptions of the PYP and evaluate the impact of a possible configuration of the PYP (i.e. featuring a default price optionarchitecture) on brand evaluations and purchase choice. We find that when the default is placed on the highest price, consumers ascribe negative causal attribution to the company which, in turn, will result in more negative brand attitudes. Interestingly, introducing price transparency improves causal attributions and brand attitudes as well as the estimated revenues for the company. Moreover, we also test the impact of defaults in the context of communicating different Corporate Social Responsibility practices (internal vs. external) finding that the communication of external CSR stimulates more positive brand attitudes and, in turn, higher willingness to purchase in PYP settings. This study represents one of the first explorations of the PYP strategy, providing interesting managerial implications for marketers willing to experiment with it.

1. Introduction

Price is a fundamental component of the marketing mix (Kim, Natter, & Spann, 2009), and represents a key element of the companies' marketing strategy (Kienzler & Kowalkowski, 2017). Companies must carefully select the pricing strategies to apply for their products or services as pricing actions can tell much about how a company positions itself in a given market (Wagner & Araujo Pacheco, 2020). Price not only generates revenues but also engages consumers (Alford & Engelland, 2000), creates loyalty (Martín-Consuegra et al., 2007) and affects brand evaluations (Taylor & Bearden, 2002). Moreover, price-related policies are very often a way for companies to differentiate themselves from their competitors (Kumar et al., 2017).

During the last decades, marketers have begun experimenting with new pricing strategies aimed at improving their performance on the market (Chandran & Morwitz, 2005). For instance, dynamic pricing strategies have been increasingly adopted in the hospitality industry (Abrate & Viglia, 2016). However, guided by a consumer-centric view of pricing, marketers have also started to assess the effectiveness of pricing strategies that delegate some or all of the price determination task to

consumers (Chandran & Morwitz, 2005). Despite previous research has praised the positive outcomes of different participative pricing strategies, many firms have abandoned them and returned to fixed pricing. However, one promising yet under looked participative pricing strategy is the Pick Your Price (PYP) or Choose Your Price. The PYP strategy represents the most novel approach to such participative pricing techniques, allowing consumers to choose a price from a set of options (Ismael, 2017). Although the academic literature assessing the impact of PYP is in its infancy, preliminary studies have confirmed a positive effect of this strategy on consumers' willingness to pay, due to increased perceived control and diminished efforts, compared to other participative pricing techniques (i.e. Pay-What-You-Want; Wang, Beck & Yuan, 2021). Yet, little is known about how consumers perceive the PYP and how different configurations of the PYP will impact consumers in terms of purchasing intentions and brand attitudes. In particular, this research explores the impact of combining the PYP with default price architectures, on consumers' evaluation of the company and their purchase choice. Defaults have been increasingly adopted by policy-makers to stimulate individuals towards specific behaviors, such as organs donations (Johnson & Goldstein, 2003). Moreover, defaults might also be

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Table 1
PYP specificities.

NYOP		(Pure) PWYW		PYP	
<i>Buyer's perspective</i>	<i>Seller's perspective</i>	<i>Buyer's perspective</i>	<i>Seller's perspective</i>	<i>Buyer's perspective</i>	<i>Seller's perspective</i>
Uncertainty of the purchase; probability between 0 and 100%, depending on comparison bid (buyer) vs. threshold (seller)	Uncertainty of sales (volume & revenues)	Certainty of the purchase; probability 100%	Uncertainty of sales (volume & revenues)	Certainty of the purchase; probability 100%	Uncertainty of sales (volume & revenues)
Mid level of control (setting the price only if bid above seller's threshold)	Certainty of covering costs (if considering costs when defining the threshold)	High level of control (setting whatever price)	Uncertainty of covering variable costs (as must accept any price proposed by the buyer)	Mid level of control (choosing a price option out of a set)	Certainty of covering costs (if considering costs when defining the price choice set)

used as anchors to alleviate consumers' cognitive efforts while determining the price to pay in participative pricing schemes (Jung, Perfecto & Nelson, 2016). While the powerful effect of defaults on choice is well known (Thaler & Sunstein, 2008; Hermann et al., 2011), less is known about their effect on consumers' perceptions (of the product or the brand), especially when combined with a participative pricing approach.

Therefore, we formulate the following research questions:

RQ1: What are the first impressions of consumers when confronted with a PYP strategy?

RQ2: How do the PYP and defaults impact brand attitudes?

RQ3: What communication strategy should be adopted by companies using the PYP?

The answer to these questions should show the impact of the PYP strategy combined with defaults, not only on the economic potential of this pricing approach but also on other non-tangible assets of the company, such as brand attitudes. To answer the research questions, we adopt a mixed-method approach to the analysis of the phenomenon. In particular, we firstly conduct two focus groups to explore consumers' reactions to and impressions of the PYP. The findings of the qualitative phase are subsequently tested through three experiments, where we analyze the impact of default price levels and transparency on brand attributions and, in turn, attitudes (Studies 2 and 3). Finally, we take a step beyond and test the moderating effect of different firm's practices (i.e. internal vs. external CSR focus) on the relationship between default price levels, brand attitudes and willingness to purchase the product (Study 5). In order to give more robustness to our findings, we also conduct a further study (Study 4) to analyze the impact of default price levels on brand attitudes at different levels of deviation from the mid price.

This paper makes several contributions. First, it is among the first studies to focus on the PYP strategy, unveiling consumers' perceptions of the brand using this strategy. Moreover, we evaluate the effect of a possible configuration of the PYP strategy featuring a default price architecture. In doing that, we advance the knowledge about the positive effects of defaults on revenues as well as the negative consequences in terms of brand attitudes. Specifically, we identify in brand attributions one psychological mechanism explaining the effect of different default price levels on brand attitudes. Furthermore, we provide a number of managerial contributions to companies willing to adopt the PYP strategy, identifying the boundary conditions for its effectiveness, in terms of transparency claims and deviation from the mid price. Finally, we also contribute to the literature about CSR practices communication, identifying the impact of communicating internal and external CSR practices on brand attitudes and purchase intentions.

The remainder of the paper is structured as follows. We first review the literature on participative pricing strategies and default options. Then, we present an overview of the research strategy. Section 4 depicts Study 1 (i.e. focus group) and its results. Further, we present our hypotheses development. Studies 2 to 5 (i.e. experiments) follow. Finally,

we discuss our findings as well as the limitations of the study, also providing future research directions.

2. Literature review

2.1. Participative pricing mechanisms

In a traditional setting, posted or fixed price is the prevailing pricing mechanism: a seller sets a price for a good or service and buyers can just accept to pay this price and purchase or renounce. For a long time, other forms of participative pricing, that involve different types of interactions among businesses and/or consumers (Kim, Natter, & Spann, 2009) were mainly confined to niches. However, the ease and relatively low cost of Internet transacting are making participative pricing strategies more attractive (Wagner & Araujo Pacheco, 2020) and having a broader scope (Spann et al., 2016; Kramer et al., 2017).

More recently, new participative pricing mechanisms, such as Pay-What-You-Want (PWYW) and Name-Your-Own-Price (NYOP), have grown their popularity. These pricing mechanisms allow buyers to participate in the price-setting process (Kim, Natter, & Spann, 2009), enabling them to exert a certain degree of control over the final price, with the consequence of having individual consumers paying different prices as an outcome of the interaction (Chandran & Morwitz, 2005).

In PWYW a seller offers one or more products, for which a buyer can set any price above or equal to zero; the seller cannot reject it and the transaction automatically proceeds (Kim, Natter, & Spann, 2009). Therefore, in PWYW buyers have maximum control over the price they pay (Kim, Natter, & Spann, 2009). A famous and profitable case of PWYW application is that of the rock band Radiohead (Bourreau et al., 2015). It has been used also in other sectors, including digital products, such as mobile applications (Tuttle, 2014) and hospitality (Viglia et al., 2019).

In NYOP settings, buyers are asked to submit a bid against a threshold price set in advance by the seller, but unknown by them (Krämer et al., 2017). The seller can either accept or reject the bid placed (Wagner & Araujo Pacheco, 2020). The transaction occurs only if the bid exceeds the threshold (Anderson & Wilson, 2011; Krämer et al., 2017) and in this case the final price is generated by the buyer (Wagner & Araujo Pacheco, 2020). In NYOP, buyers/consumers have therefore a relatively high control over the price they pay for a good or service (Wagner & Araujo Pacheco, 2020), but lower if compared to PWYW. The most famous and quoted case of company adopting a NYOP mechanism is the online retailer Priceline.com that was using it since 1998 mainly for selling flights and other travel services.

Both PWYW and NYOP have attracted researchers' attention, with contributions aimed at understanding their applicability (e.g., by studying best practices) and implications. Particular emphasis has been given to the procedural design of the pricing mechanism, as well as to the characteristics of the buyer, the seller, and the market that may exert an influence on its functioning. Individual consumer's behavioral reaction (e.g., intended or actual paid amount) to these pricing schemes is the focal domain investigated, whereas perception, acceptance, and

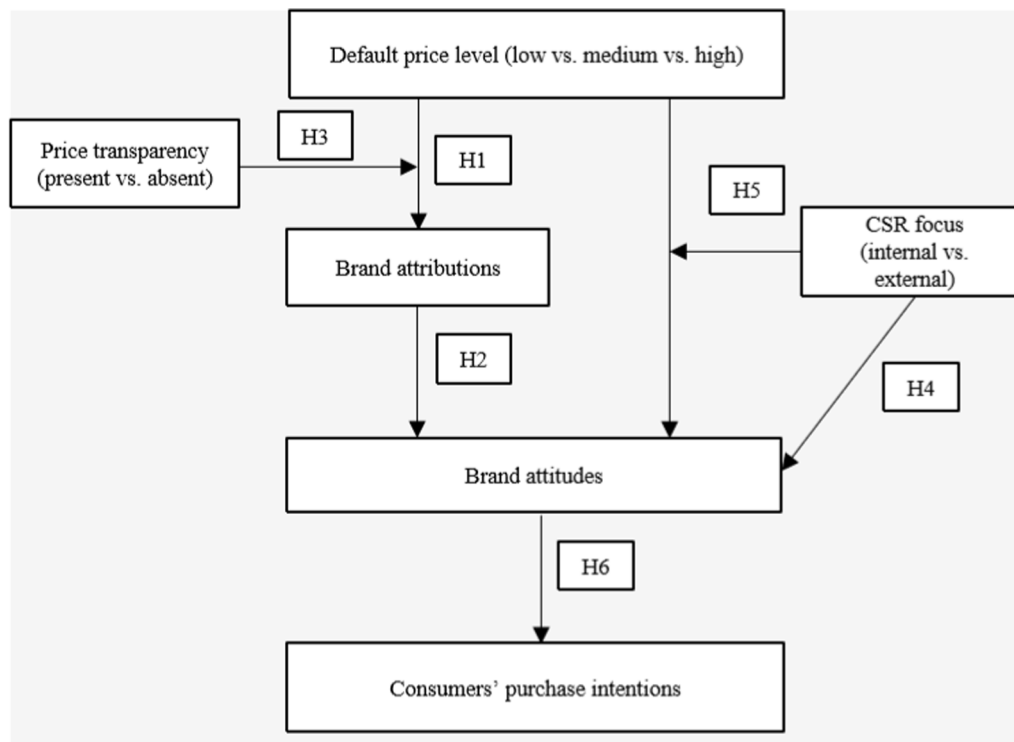


Fig. 1. Research Model.

preference for, are relatively overlooked (Gerpott, 2017). Consumers' attitudes have also been considered in PWYW context. Attitude toward the seller is influenced (as well as willingness to pay and future purchase intention) by the consumer's internal reference price (Roy et al., 2021). With respect to philanthropy programs, attitude and behavioral intentions toward the seller are also influenced by the donation format: PWYW with charitable giving have more positive results than a mere donation, with perceptions of equity as mediating variable (Fowler & Thomas, 2019).

2.2. Pick-your-price as a new emerging participative pricing mechanism

This study focuses on the most novel participative pricing mechanism, the so-called Pick-Your-Price. The PYP could be regarded as an evolution of PWYW with a specific procedural design (Gerpott & Schneider, 2016) that involves constraints on permitted prices, in the form of a pre-defined set of choices. Table 1 shows the main differences and commonalities between participative pricing mechanisms.

In NYOP the buyers have potentially the maximum freedom in proposing a price, but at the risk of having the proposal refused, and having to give up on the purchase. The uncertainty associated with the purchase could therefore be quite high in NYOP. In NYOP, sellers can influence the final price by setting in advance the unrevealed (minimum) threshold price, thus protecting themselves from having to accept bids that are too low (Kim, Natter & Spann, 2009), as it happens with PWYW.

In PWYW, the purchase is certain, since the seller cannot refuse to complete the transaction. Buyers' maximum freedom of price choice translates into one of the major risks for sellers using PWYW being that buyers could exploit their full control over price and pay nothing at all or a price below the seller's costs (Kim, Natter, & Spann, 2009; Kim et al., 2014), thus undermining seller's long-term viability. So, increasing buyers' control over price might be somehow very costly for companies. It is not surprising that many research endeavors have tried to investigate factors leading consumers to pay positive amounts – going against the economic rationality principle – and firms to get sufficient revenues and profits. Firms also attempt to positively influence the buyers'

payment amounts in PWYW schemes by using external reference prices (Kim et al., 2014; Gerpott, 2017) to induce an anchoring effect (Mazumdar, Raj, & Sinha, 2005; Armstrong Soule & Madrigal, 2015). However, this is not always beneficial to sellers, since other factors influence the outcomes (Johnson & Cui, 2013; Roy et al., 2021). Similar results can be found also in NYOP situations (e.g., Wolk & Spann, 2008). Furthermore, consumers who are accustomed to traditional fixed pricing may feel uncertainty and anxiety about how much to pay in a PWYW scheme. If they perceive price decisions as too burdensome at a cognitive and/or emotional level, they may even opt out and withdraw from the transaction (Weisstein et al., 2019). In this regard, Spann et al. (2012) argue that consumers' prefer to select rather than generate price, particularly when no salient reference point exists.

Compared to fixed prices, the PWYW and NYOP trigger higher cognitive effort which decreases purchase intentions and actual purchases (Wang, Beck & Yuan, 2021). Indeed, consumers appreciate greater pricing control but are deterred by the effort involved in deciding what to pay. In contrast, the PYP might be seen as a strategy that increases feelings of control but not perceived effort. Wang and colleagues (2021) regard PYP as an evolution of PWYW, "in that consumers still have the final say over the price, but they do not have to generate the price options themselves" (p. 2). Therefore, the benefits offered by PYP to buyers are similar to PWYW (high pricing control), but without its sacrifices (high pricing effort). Specifically, PYP was found to have stronger revenue performance and increase purchase intentions compared to PWYW and fixed price strategies (Wang, Beck & Yuan, 2021). So far, PYP has been used in non-profit, charity and tipping contexts mainly, but might have potential also in the for-profit context. PYP is still novel and unfamiliar to most firms and consumers and the available literature is scarce. Therefore, this represents one of the first attempts to shed light on this innovative pricing mechanism.

2.3. Defaults in participative pricing strategies

As participative pricing strategies can increase consumers' cognitive effort and confusion, firms might facilitate the price determination task

to consumers by providing anchor points that buyers can use to calibrate their PWYW price-setting decisions (Mazumdar, Raj, & Sinha, 2005). A practical and straightforward way to reduce consumers' effort in participative pricing schemes could be the use of default options (Jung, Perfecto & Nelson, 2016).

Defaults are defined as “externally determined options that people receive by not explicitly choosing otherwise” (Goswami & Urminsky, 2016; p. 830). Substantial evidence from past research has confirmed the effect that defaults can have on choice (Johnson et al., 2002; Brown & Krishna, 2004) in a variety of contexts, from organs donation (Johnson & Goldstein, 2003), to health insurance plans (Johnson et al., 2013). As a consequence, the public-policy interest in developing defaults as a viable tool to guide individuals' behaviors has steadily increased (Kahneman, 2011; Beshears et al., 2015). Defaults are an effective tool for nudging individuals as they signal a recommended action to individuals (Johnson et al., 1999). More importantly, defaults decrease the cognitive effort as accepting the default does not require any additional effort, while selecting the alternative choice does (Johnson & Goldstein, 2003). Hence, default options affect choice as consumers' information processing capabilities are limited (Brown & Krishna, 2004).

Within the marketing realm, defaults were found to have a major impact on product configurations (Levav et al., 2010), nonprofit fundraising (Goswami & Urminsky, 2016) and hotel booking choices (Steffen et al., 2020). Also, defaults can increase total revenues by fostering the upselling of services (Jin, He & Song, 2012).

In participative pricing schemes, the effect of defaults seems relatively under-investigated. To the best of our knowledge, only Jung, Perfecto & Nelson (2016) consider defaults along with other suggestion formats for inducing anchoring in a PWYW situation, but the empirical evidences are mixed.

3. Research overview

We explored the Pick Your Price strategy and how defaults adopted in the context of this pricing strategy impact brand attributions, attitudes and willingness to purchase. Given the scarcity of research on this nascent topic, we adopted a mixed-method approach to offer a more complete picture of the phenomenon under study and produce robust findings (Davis, Golicic & Boerstler, 2011). In Study 1, we explore the main factors that positively or negatively affect consumers when confronted with a PYP strategy through two focus groups. Adopting attribution theory as our theoretical lens, we subsequently generate the relevant research hypotheses from the findings of the qualitative exploration of the phenomenon. Then, three between-subject experimental designs test the research hypotheses. Specifically, Study 2 tests the hypotheses regarding the effect of default price levels on brand attributions and attitudes (i.e. H1 and H2). Study 3 confirms the moderating effect of price transparency on the above-mentioned relationships (i.e. H3). We then present Study 4, which analyzes the differential impact of default price for different levels of deviation from the mid price. Finally, Study 5 tests the indirect effect of different levels of default price options and different CSR practices on willingness to purchase through brand attitudes (i.e. H4, H5 and H6). Fig. 1 depicts our research model.

4. Study 1: Exploring consumers' reactions to pick your price strategy

In order to provide answers to our Research Questions, we conduct an exploratory qualitative study to gain a deeper understanding of consumers' evaluations of the Pick Your Price strategy. Given the scarcity of previous literature on this topic, we adopted the focus group method (Fern & Fern, 2001) as an effective methodology of exploratory data collection. The interactivity of this method (Belzile & Öberg, 2012) has proven to be particularly beneficial to gain more fine-grained insights from participants regarding complex topics (Aiello et al. 2020). Specifically, our aim was to 1) understand consumers' first impressions

when confronted with this pricing strategy and 2) explore to what extent different configurations of the Pick Your Price strategy (e.g. featuring a default choice and adding transparency) influence consumers' purchase intentions and brand attitudes.

4.1. Study design and participants

Fifteen Italian consumers participated in two focus groups held online in June 2021. Participants were master students enrolled in marketing courses in an Italian university and were selected based on their online shopping experience. Each of the participants received a small incentive for their participation in the study. The focus group sessions lasted between 90 and 120 min and were video recorded.

Following the guidelines from previous studies (Cui, Mrad & Hogg, 2018), both the focus groups used the same agenda and moderation style. We initially formulated general research questions to address the main goals of the research. An experienced moderator facilitated the discussion of the topics following the discussion agenda prepared by the research team (Bell, Bryman & Harley, 2018). The agenda consisted of three steps. First, the moderator introduced the PYP strategy explaining the main features of the pricing structure and invited participants to share their first impressions on the topic. Second, the moderator introduced two possible configurations of the pricing strategy and gathered participants opinions about them. Finally, participants were asked to express their overall perceptions of the PYP strategy.

4.2. Data analysis

The qualitative data consist of the focus groups' video transcripts. We used the QSR Nvivo 12 software (Bazeley & Jackson, 2013) for the content analysis to capture consumers' impressions and opinions of the PYP strategy. The coding process was articulated in two phases. Firstly, the transcripts were independently analyzed by two researchers to ensure the validity of the coding process (Weber, 1990). Subsequently, the researchers together reviewed the coding decisions until an agreement was reached. This axial coding phase was aimed at grouping codes with similar properties into second-order categories, more abstract (Steinhoff & Zondag, 2021). The overall rate of agreement between the two coders was measured with Cohen's Kappa coefficient (0.85).

4.3. Results

Overall, the results of the qualitative exploration of the phenomenon showed that consumers approach the PYP strategy with suspicion, being the pricing strategy perceived as creating confusion and doubts about the quality of the product when no information about the firm's motivation for adopting the PYP is provided. Indeed, when confronted with a PYP scenario for the first time, participants expressed high levels of confusion regarding the pricing strategy, especially regarding the firm's motivation to adopt the PYP.

“I would almost be disoriented from continuing to purchase the product because I would start thinking: why do they do this?” GA

Moreover, this confusion spills over to the quality of the product. Accordingly, it emerges that consumers associate different quality perceptions to the different price levels. In this case, rather than stimulating positive inferences about the firm and the products, the PYP strategy seems to have a detrimental effect on consumers, who will question the quality of the product offered.

“I feel that when the price is low, then the product must have something less than the higher-priced version ... I begin to think maybe it has some manufacturing defects...” MM

This is especially true when consumers do not have any previous knowledge of the firm. In this case, it would be difficult to make

inferences on the firms' motivation to apply the PYP strategy and be reassured about the quality of the products. Consequently, consumers agree that they would be inevitably inclined to select the lowest price level in the list. However, previous brand knowledge appears to be fundamentally important in determining consumers' price choices. In particular, brand knowledge might help in making more accurate inferences about the firms' motivations or the product quality and also be a factor in the price choice.

"It is clear that, if I know the brand and the quality of their products, then I will know that they are not trying to exploit me and I could pay a higher price" GG

The negative perceptions of the brands' motivations to employ the PYP were confirmed when participants explored the possible configuration of the pricing strategy featuring a default price option (i.e. one of the three price levels is pre-selected from the brand). Even acknowledging that the ultimate goal of firms is to make a profit ("*I completely understand why a company might make the highest price as a default choice" DM*), it appears that consumers would attribute malicious motives to a brand setting the highest price as a default choice for consumers. In particular, consumers would perceive that the brand is trying to exploit their inattention during the purchase process to make them pay a higher price for the product. In turn, the attribution of negative motives to the company would negatively impact brand attitudes.

"I wouldn't have the impression of such a serious company, that's it. Why? Because it is setting a trap for me anyway; if I'm not so careful, I risk paying more for something that I could still pay less ..." VD

On the other hand, the introduction of more transparency regarding both the motivations of the brand to introduce the PYP strategy and the components of the price appears to be beneficial for consumers. In particular, consumers feel more willing to accept the pricing strategy when they know what the difference in the price levels is due to (i.e. investing in growth and in the company's sustainability). Indeed, adding transparency might be an effective solution not only to neutralize the attribution of negative motives to the brand but also to reverse these attributions and justify both the differences in price levels and the high default choice. The positive effect of transparency is also reflected in the development of more positive brand attitudes.

"Investing is always a good motivation for the company. Wanting to grow, wanting to invest in innovative products, perhaps even to protect the environment or to help workers. This gives value to the company!" MC.

Also, price transparency is seen as a way for the brand to take care of consumers and make them feel special.

"A company that puts effort in explaining its pricing choices to the consumer is a company that is, in any case, careful about the customer. You feel almost important because it gives you an explanation when it would not be obliged to do so" GY

Finally, these positive attributions are also reflected in the price choice.

"Now I know there is a purpose behind it... so ... ok, I will pay more" GA

4.4. Discussion

Study 1 has explored the different consumers' reactions to the PYP strategy. Interestingly, consumers feel disoriented when confronted with this strategy for the first time. This confusion affects not only product quality judgements, but, more importantly, consumers' motives attributions to brands for using this strategy. In particular, when no further information is displayed, consumers attribute negative motivations to the brand using the PYP, which negatively affect also the brand attitudes formation. This is especially true when a high default price is set by the

brand for its products. However, one effective way to improve consumers' perceptions of the strategy seems to be the inclusion of more transparent information regarding the price components and the motivations behind the brand's adoption of the PYP. Consistent with previous literature (Hanna, Lemon & Smith, 2019), price transparency seems to lead to 1) more positive motives attributions to brands, 2) higher brand attitudes and 3) more willingness to pay a higher price for the product.

We build on these findings in the next sections. Specifically, we expand on how default price choices and price transparency can impact brand motives attributions, brand attitudes and willingness to purchase.

5. Conceptual framework

5.1. Attribution theory

Attribution theory assumes that people make causal inferences about observed action and that such causal inferences affect their responses (Weiner, 1980). Therefore, attribution theory is centred on causes of actions that help explain outcomes or results (Weiner, 2010). In the marketing context, attribution theory has been applied to explain a range of consumer behaviour outcomes, from responses to and effectiveness of advertising (Samu & Wymer, 2014; Su, Gong & Huang, 2020) to the effects of negative WOM (Um, 2013; Yu et al., 2018). In particular, past pricing scholarship has adopted attribution theory lenses to explain the consequences of causal inferences in terms of price fairness perceptions after a price increase (Vaidyanathan & Aggarwal, 2003).

People make attributions about others to understand and make meaningful perspectives about the events they observe every day (Um, 2013). Therefore, attribution theory describes and explains the cognitive processes behind individuals' causal explanation of human behavior (Kelley, 1973). The attributions for an outcome might be internal, such as one's personality, or external, such as forces behind the individual's control. The focus of the attribution (internal vs. external) can change the type of attribution in that people are more likely to attribute good outcomes to internal factors and blame external factors for bad outcomes (Griffin et al., 2008). Moreover, another difference in attributions concerns the degree of controllability of the outcome. In this sense, the difference is between dispositional (controllable) and situational (uncontrollable) factors (Um, 2013). These attributions generate different types of affect (Weiner, 1986) in that negative outcomes attributed to controllable, dispositional factors will generate anger. On the other hand, negative outcomes attributed to uncontrollable situational factors will generate a sense of pity (Averill, 1983). Therefore, causal attributions can exert a great influence on consumers' beliefs and attitudes (Um, 2013) as they are expected to mediate the effect of companies' actions on consumers' overall judgements of the company and subsequent behaviors (Campbell & Kirmani, 2000; Samu & Wymer, 2014). In addition, causal attributions help to better understand consumers' perceptions of price fairness in different pricing contexts (Schmidt, Bornschein & Maier, 2020).

The focus of this paper is on the consequences of causal attributions in the context of Pick Your Price settings. That is, the aim of this study is to understand the consequences of causal ascriptions when consumers are given the possibility of choosing the price to pay for a given product. Specifically, consumers make inferences about the motives and intentions of a company that adopts the Pick your Price strategy and these inferences guide their development of brand attitudes.

5.2. Default option attribution

Defaults are defined as "*externally determined options that people receive by not explicitly choosing otherwise*" (Goswami & Urmitsky, 2016; p. 830). Substantial evidence from past research has confirmed the effect that defaults can have on choice (Johnson et al., 2002; Brown & Krishna, 2004) in a variety of contexts, including some domains within the

marketing realm, such as product configurations (Levav et al., 2010), non-profit fundraising (Goswami & Urminsky, 2016) and hotel booking choices (Steffen et al., 2020).

The positive effect of defaults on consumers' choices (Jachimowicz et al., 2019) is explained by three "psychological channels" – ease, endowment and endorsement (Dinner et al., 2011). In terms of ease, individuals are more likely to choose a pre-selected option as this choice alleviates the psychological effort required to make an alternative choice (Vohs et al., 2012). A second explanation for this effect is endowment (Dinner et al., 2011). Individuals might perceive defaults as "instant endowments" (Tversky and Kahneman, 1991), feeling a sense of psychological ownership of the default option (Dinner et al., 2011) and therefore evaluating it better than other options. In the same vein, the endowment serves as a reference point for consumers, who base their evaluations on these anchors (Tversky & Kahneman, 1991) and are inevitably biased towards them (Steffen et al., 2020).

The third psychological channel is endorsement (Dinner et al., 2011). In this case, individuals are likely to stick with the default choice as they believe that the intentions of the individuals or organizations setting the default choice architecture are beneficial to them (Jachimowicz et al., 2019). Thus, the default option is seen as a socially desirable behavior (Steffen et al., 2020). However, this psychological channel might be problematic as consumers always make inferences and speculations about the underlying reasons for the use of the default architecture (McKenzie, Liersch & Finkelstein, 2006). These speculations might lead to default options to backfire if consumers believe that the default choice architect wants to distort their behavior (Brown & Krishna, 2004). Consumers tend to ask themselves to what extent the default is in the company's (and not consumer's) best interest (Jain & Posavac, 2001) and examine the defaults to protect themselves from companies' intent to influence (Friestad & Wright, 1995). As a consequence, individuals become more skeptical about the company's interest and might reject the proposed default choice (Hermann et al., 2011).

Many situations are ambiguous, though, therefore causal attributions might be subjective (Yoon, 2013). In these situations, consumers will still make causal attributions that will be based on contextual and situational factors. In a Pick your Price setting, marketers could adopt a default option approach to optimize their decisions and nudge consumers toward choosing the higher-priced option. If consumers do not have any defined prior knowledge of the brand, they might attribute negative, self-serving motivations to the brand when the default choice is set to the high price level (vs. medium vs. low) (Campbell & Kirmani, 2000). Formally:

H1: *In a Pick Your Price setting, consumers exposed to a high price default choice ascribe more negative causal attributions to the brand than consumers exposed to a) a medium and b) a low price default choice.*

5.3. Brand attributions and attitudes

The attribution process consumers undertake when evaluating external stimuli has a fundamental impact on their choices (Weiner, 1986). Understanding the attribution process is of paramount importance as it can be damaging to companies (Puccinelli et al., 2009). If consumers attribute malicious or self-serving intentions to a company, it will negatively impact subsequent purchase intentions (Yoon, 2013), post-purchase evaluations (Senecal & Nantel, 2004), WOM behaviors (Curren & Folkes, 1987) and responses to advertising (Samu & Wymer, 2014). Moreover, one important role of causal brand attributions is to impact consumers' brand attitudes (Yu et al., 2018).

In our context, brand attributions represent the mechanism linking the default price to brand attitudes. Specifically, all other factors being equal (i.e. when no other information is provided), when consumers are shown the different default price levels, they will make causal inferences on the company's motive to set a particular default level of price. In turn, these inferences are able to shape consumers' brand attitudes. Formally:

H2: *Causal attributions mediate the relationship between default price level and brand attitudes.*

5.4. Price transparency attributions

Findings from our qualitative exploration show that introducing transparency about the company's motivation to adopt the PYP and the price components might be a viable solution to improve consumers' brand perceptions and price choices. Price transparency occurs when the seller reveals the components of the price-setting to the consumer (Ferguson, 2014). Transparency is even more important today as the digital world has empowered consumers by eliminating the information asymmetries between sellers and buyers (Hanna, Lemon & Smith, 2019). Consequently, consumers have become an active part of the transparency process, being able to share price information through social media or third-party websites (Zhang & Jiang, 2014).

Price transparency is one of the major components of price satisfaction (Matzler et al., 2006) and fairness perceptions (Ferguson & Ellen, 2013). More importantly, transparency helps consumers to build trust towards the company (Bertini & Gourville, 2012) by understanding the rationale of the company's decision to set a particular price (Totzek & Jurgensen, 2021). Also, consumers prefer more transparent pricing strategies as they perceive them to have less persuasive intent (Kachersky & Kim, 2010). From an attribution theory perspective, consumers use the available information to make causal inferences of a pricing decision (Campbell, 1999). In cases when the available information lacks transparency, consumers perceive ambiguous signals from the company, distancing themselves and developing negative responses (Bertini & Gourville, 2012). On the other hand, transparent information about pricing would eliminate the distance between the company and its customers, increasing their understanding and avoiding incorrect inferences of motives (Ferguson & Ellen, 2013). Therefore, in contexts where price components can be justified in detail, such as in PYP or Partitioned Pricing mechanisms, price transparency leads to more positive consumers' attitudes towards the company (Bürgin & Wilken, 2021).

Consistently with the findings of Study 1, we hypothesize that the presence of price transparency information will be beneficial for the company using the PYP strategy in terms of consumers' causal ascriptions. In other words, when given price transparency, consumers' brand causal attributions will be more positive for all the three levels of default price (high vs. medium vs. low). In turn, these more positive causal attributions will lead to the development of more positive brand attitudes. More formally:

H3: *Price transparency moderates the relationship between default price levels and brand attributions. The effect of default price levels on consumers' causal attributions is more positive when price transparency information is present.*

5.5. Transparency on the focus of the firms' CSR practices and willingness to purchase

Price transparency might refer to different aspects that concur in the price formation. Among them, companies communicate their Corporate Social Responsibility (CSR) practices to provide meaningful explanations about different price levels and orient consumers towards a choice. Having hypothesized the positive impact of price transparency information on brand attributions and attitudes, it is important to go deeper in the analysis of how different types of responsible practices can impact brand attitudes as well as more downstream consequences of attitudes, in terms of willingness to purchase.

CSR practices have attracted huge academic and managerial interest in recent years (Pelozo & Shang, 2011; Baskentli et al., 2019). Most of previous research has confirmed the benefits that CSR practices bring to a firm, in terms of improving brand attitudes (Scherer & Palazzo, 2011),

Table 2
Pairwise comparisons for the effect of default price on Brand Attributions.

(I) Default	(J) Default	R ²	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower	Upper
High	Low	0.14	-0.910	0.240	0.001	-1.491	-0.329
	Medium	0.14	-0.749	0.241	0.007	-1.333	-0.165

strengthening brand recognition (Julian & Ofori-dankwa, 2013) and attracting talents and investors (Fu et al., 2014). In this regard, the literature differentiates between internal and external CSR. Internal CSR refers to an organization's policies and practices related to the psychological well-being of its employees (Turker, 2009) while external CSR relates to environmental and social practices that aim at strengthening the relationship of the organization with external stakeholders (Brammer et al., 2007). Internal and external CSR practices reinforce each other in increasing the perceived product quality (Li, Fu & Huang, 2015) as well as stakeholder perceptions (Wang & Huang, 2018). Although previous research has found that both internal and external CSR initiatives have a positive effect on brand attitudes (Ailawadi et al., 2014; Van Doorn et al., 2017), we hypothesize that in a PYP retail context, where the price determination task is delegated to consumers, external CSR has a more positive effect on brand attitudes compared to internal CSR. This is because consumers might perceive internal CSR practices as low salient for them (Peloza & Papania, 2008), so that they will negatively evaluate the company that delegates to them the burden of improving its internal conditions. Indeed, consumers might expect that internal CSR practices are implemented independently from an eventual premium price they are asked to pay. Therefore, we also hypothesize an interaction effect of default price level and CSR focus so that when given an external CSR focus, consumers will develop more positive attitudes for high default levels:

H4: CSR practices communicated by the company have a direct effect on brand attitudes. Specifically, external CSR practices elicit more positive brand attitudes

H5: CSR practices communicated by the company moderate the relationship between default price levels and brand attitudes. The communication of external CSR practices alleviates the negative effect of high default price levels on brand attitudes.

Brand attitude is a fundamental variable in marketing as it is used to anticipate buying preferences (Chaudhuri, 1999). Therefore, it is one of the most prevalent mediator utilized in marketing literature to assess consumers' buying behavior (Hwang et al., 2011). In our study, in order to identify the downstream consequences of applying a default price strategy and price transparency information about CSR practices, we predict that the higher brand attitudes generated by external CSR practices lead to higher consumers' willingness to purchase. Formally:

H6: Brand attitudes mediate the effect of default price levels on willingness to purchase. The more positive the brand attitudes, the higher the willingness to purchase.

6. Study 2

6.1. Method

To test hypotheses 1 and 2, we conducted a single factor (default price: high vs. medium vs. low) between-subject experiment. Specifically, the study examines the effect of different default price options on brand attributions (H1) and the mediating role of brand attributions on the relationship between default price levels and brand attitudes (H2).

6.2. Stimuli materials

We firstly designed a fictional online retailer website following recommendations from previous studies (Yu, Hudders & Cauberghe, 2018). The webpage was designed to display the product (i.e. a backpack) on the left and other information including the product name and the three levels of price on the right. Above the presentation of the three levels of prices, participants read that they could choose a price to pay from a list. The three price levels (\$ 25, \$ 35 and \$ 45) were selected to be realistic for the product. The price difference between the price levels was set consistently with previous research on PYP at a 30% deviation level from the mid price (Wang, Beck, & Yuan, 2021). The default price level was outlined in red (vs. light grey) to stand out from the other two levels. In addition, before the price presentation, participants read that the suggested price level to pick had been already pre-selected. Details of the stimuli can be found in Appendix A.

6.3. Participants and procedure

A total of 152 Italian consumers (women 53%; $M_{age} = 26.42$, $SD = 7.12$) recruited from the Prolific online panel participated in the study. We implemented a 3 (default price: high vs. medium vs. low) \times 1 between-subject design manipulating the default price level for the product.

Respondents read a scenario describing a situation in which they were looking for a backpack to buy online. The scenario read: "Imagine you are at home, searching online for a backpack to buy. You land on the website of the retailer "The Online Boutique". After evaluating different products, you find a backpack you might be interested in. You notice that "The Online Boutique" adopts a particular pricing strategy, allowing its customers to choose a price to pay from three options." Then, respondents were shown the stimulus and asked to answer the following questions.

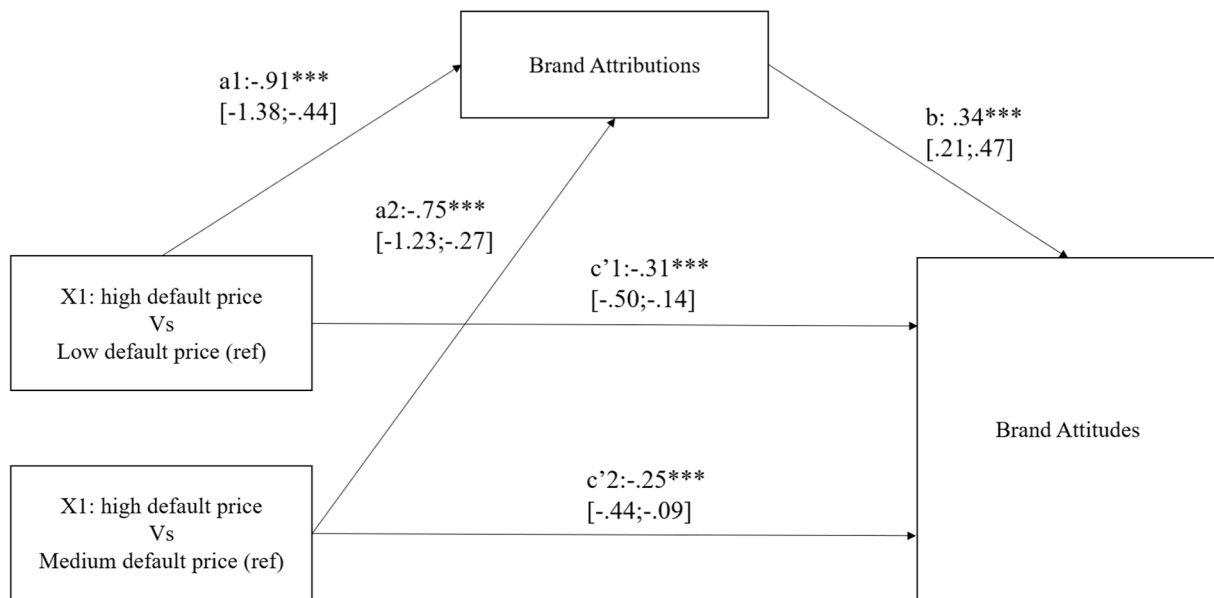
6.4. Measures

All the variables investigated were measured using a 7-point Likert scale, ranging from 1 to 7. To check whether the manipulation was successful, respondents were asked to indicate which price level was set to default by the online retailer (\$25, \$35 or \$45). Participants were asked to indicate which price level they would choose to buy the backpack. Then, respondents were asked to indicate their perceived brand attributions for applying the PYP strategy through a 7-point scale anchored by the brand has bad intentions/good intentions, the brand wants to take advantage of its customers/does not want to take advantage of its customers (Campbell, 1999; $\alpha = 0.75$). Brand attitudes were measured through a 7-points scale, anchored by bad/good, dislikeable/likeable, negative/positive, unfavourable/favourable, ineffective/effective (Holbrook & Batra, 1987, $\alpha = 0.84$). Finally, we collected demographics information relative to age, gender, income and education level.

6.5. Results

Out of 152 participants, one (0.67%) answered incorrectly to the manipulation check question, therefore it was excluded from further analyses.

We performed a one-way ANOVA to test the hypothesis relative to the effect of default price levels on brand attributions. Results suggest



Notes: *** $p < .001$; ** $p < .01$; * $p < .05$

Fig. 2. Coefficients of the variables in the Model for Study 2.

that there was a significant difference in brand attributions between the high, medium and low default price conditions [$F(2, 149) = 8.17, p < .001, \eta^2 = 0.10$]. A further investigation revealed that respondents perceived more negative brand attributions in the high default price condition ($M_{high} = 3.7, SE = 0.170$) than in the medium ($M_{med} = 4.45, SE = 0.171$) and low default price condition ($M_{low} = 4.61, SE = 0.170$). Thus, our H1 was confirmed. Table 2 shows the pairwise comparisons between the three experimental conditions.

To test for the mediating effect of brand attributions on the relationship between default price levels and brand attitudes, we performed a mediation analysis employing the Hayes (Hayes & Preacher, 2014) Model 4 macro with 10,000 bootstrapped samples. We conducted the analysis in two consecutive runs (using the same bootstrapped samples) using the low and medium default price as reference groups and comparing them with the high default condition. The results for the high default price condition versus low default price condition showed a significant indirect effect on brand attitudes through brand attributions ($c_1': \beta = -0.31$; Confidence Interval (CI) 95% [-0.50, -0.14]). Specifically, the high default price has a significant negative effect on brand attributions ($a_1: \beta = -0.91$; CI 95% [-1.38, -0.44]), which, in turn, has a positive significant effect on brand attitudes ($b: \beta = 0.34$; CI 95% [0.21, 0.47]). Similarly, the results for the comparison between high default price condition and medium default price condition confirmed a significant indirect effect on brand attitudes through brand attributions ($c_2': \beta = -0.25$; CI 95% [-0.44, -0.09]). In particular, high default price has a significant negative effect on brand attributions ($a_2: \beta = -0.75$; CI 95% [-1.23, -0.27]). Overall, the model predicted 16% of the variance ($R^2 = 0.16$). Therefore, these results provide support to our H2. Fig. 2 summarizes the results.

6.5.1. Purchase choice and revenue estimation

We further ran a series of t-tests to estimate consumers' sensitivity in the different default price level conditions, thus considering only respondents who expressed their willingness to purchase the backpack. We found that, consistently with previous literature, the high default price condition generated more revenues (\$ 1,385; $M = 27.16$; $SD = 4.15$; $N = 51$) than both the low (\$ 1,345; $M = 26.37$; $SD = 3.48$; $N = 51$) and the medium default price conditions (\$ 1,260; $M = 25.20$; $SD =$

1.41; $N = 50$). In particular, we found a significant difference between the average revenues per consumer generated by the high and medium default conditions [$t(99) = 3.16$; $p < .05$] as well as between the low and medium default conditions [$t(95) = 2.21$; $p < .01$]. However, we could not find any significant difference between the low and high default conditions [$t(89) = -1.03$; ns]. These results indicate that in the high default condition the revenues might be driven by a reference price effect (Mazumdar, Raj, & Sinha, 2005), while in the low default condition brand attributions and attitudes play a pivotal role. The non-significant difference in revenues between the two conditions points to a similar power of the two effects. However, building revenues from positive brand attributions and attitudes might provide firms with a more sustainable advantage in the long run.

7. Study 3

Study 2 has provided initial support to our theorizing (H1 and H2), showing that setting a high default price has a detrimental effect on brand attributions, which, in turn, leads to more negative brand attitudes in the context of a PYP strategy. However, we still have not established whether the introduction of transparent information about the pricing strategy might have an effect on the above-mentioned relationships. Therefore, Study 3 compares the differential effect of the three levels of default price on brand attributions, testing the moderating effect of the presence of price transparency information (H3).

7.1. Stimuli material and pre-test

We manipulated the three default price levels as in the previous study while price transparency was manipulated by displaying (vs. hiding) information about the different levels of price. Specifically, participants read that the lower level of price “covers the costs of production and shipping”, while the medium price “covers the costs of production, shipping and allows investments in the production team” and the highest price “covers the costs of production, shipping, allows investments in the production team and in the company’s sustainability”. These price components were created from the findings of the focus groups.

Table 3

Pairwise comparisons for the effect of default price and price transparency information on Brand Attributions in Study 3.

Default	Transparency	Mean	Std. Error	Sig.	95% Confidence Interval	
					Lower	Upper
Low	Present	5.57	0.279	0.000	-1.714	-0.615
	Absent	4.40	0.279	0.000	0.615	1.714
Medium	Present	4.93	0.282	0.009	-1.296	-0.185
	Absent	4.19	0.282	0.009	0.185	1.296
High	Present	5.17	0.281	0.000	-1.797	-0.692
	Absent	3.92	0.281	0.000	0.692	1.797

We conducted a pre-test to test the effectiveness of the price transparency manipulation. The pre-test involved 81 respondents recruited from the Prolific online panel (women: 42.3%; $M_{age} = 26.48$, $SD = 7.29$). The pre-test resulted in a 2 (price transparency: present vs absent) \times 1 between-subject design testing the impact of the presence of price transparency information on the perceived price transparency. Respondents were randomly assigned to one condition and read the same scenario from Study 2. Then, they expressed their perceived price transparency on a 4 items 7-points scale (Rothenberger, 2015; $\alpha = 0.93$), including items such as 1) the information about the three price levels is clear and comprehensible; 2) the information about the three price levels is complete, correct and honest; 3) I feel well informed about the price of the product and 4) all of the price components are clear and comprehensible. A one-way ANOVA was performed to test the effect of the presence of price transparency information on the perceived transparency of the price. Results show that the manipulation was effective as respondents in the presence of transparency information condition expressed higher perceived price transparency ($M_{pt} = 5.44$, $SE = 0.22$) than respondents in the absence of transparency information condition ($M_{at} = 3.14$, $SE = 0.28$), so that the presence of more information regarding the price composition has a significant positive effect on perceived price transparency [$F(1,80) = 41.84$, $p < .001$]. Details of the stimuli for Study 2 and 3 can be found in Appendix A.

7.2. Participants and procedure

A total of 274 Italian consumers (women 44.4%; $M_{age} = 27.26$, $SD = 8.31$) recruited from the Prolific online panel participated in the study. We implemented a 3 (default price: high vs. medium vs. low) \times 2 (price transparency information: present vs. absent) between-subject design manipulating the default price level for the product and the presence of price transparency information. Participants read the same scenario description from the previous experiment.

7.3. Measures

We employed the same scales from the previous experiment regarding the default price manipulation check, brand attributions (Campbell, 1999; $\alpha = 0.82$) and brand attitudes (Holbrook & Batra, 1987; $\alpha = 0.87$). In addition, we included the price transparency scale as a manipulation check (Rothenberger, 2015; $\alpha = 0.95$). Moreover, we asked respondents to indicate their purchase choice ("Please indicate whether you would purchase the backpack"; 0 = "I would not purchase this product," 1 = "I would purchase this product for \$ 25," 2 = "I would purchase this product for \$ 35," and 3 = "I would purchase this product for \$ 45"). Moreover, we asked participants to express their attitudes towards sustainability on a five-item semantic differential 7-points Likert scale, adapted from Mittal (1995) ("For me, sustainability is: Unimportant/Important; Insignificant/Significant; Irrelevant/Relevant; Of no matter/of matter; Of no concern/of concern") (Mittal, 1995; $\alpha = 0.95$). Finally, respondents answered demographic questions.

7.4. Results

7.4.1. Manipulation checks

Four respondents (1.48%) failed to answer the default price manipulation check and thus were excluded from further analyses.

We conducted an ANOVA to test the effectiveness of the presence (vs. absence) of price transparency information manipulation. Results showed that the manipulation was effective as respondents in the presence of transparency information perceived higher price transparency ($M_{pt} = 5.49$, $SE = 0.11$) than their counterparts in the absence of transparency information condition ($M_{at} = 3.44$, $SE = 0.17$) and this difference was statistically significant ($F(1, 265) = 102.25$, $p < .001$).

7.4.2. Effects on brand attributions and brand attitudes

We ran a 3 (default price: high vs. medium vs. low) \times 2 (price transparency information: present vs. absent) two-way ANOVA to evaluate the impact of default price levels and price transparency information on brand attributions (H3). Results revealed a significant effect of default price on brand attributions [$F(2, 264) = 3.04$, $p < .05$, $\eta^2 = 0.02$], providing further support to H1. Moreover, we also found a significant effect of transparency information on brand attributions [$F(1, 265) = 44.3$, $p < .001$, $\eta^2 = 0.13$]. Participants expressed more positive brand attributions when price transparency information was present ($M = 5.27$, $SE = 0.11$) than in the absence condition ($M = 4.22$, $SE = 0.11$). The impact of price transparency on brand attributions across the three levels of default price was positive and significant. Specifically, respondents in the presence of transparency information condition expressed more positive brand attributions across the three levels of default price (Table 3), providing support for our H3. Attitudes towards sustainability was adopted as a control variable, showing a non-significant effect in the model [$F(1, 265) = 1.85$, ns].

7.4.3. Purchase choice and revenue estimation

We conducted a binary logistic regression to assess the effect of default price levels (1 = low, 2 = medium; 3 = high) and price transparency information (0 = absent, 1 = present) on purchase choice for the product (0 = no purchase, 1 = purchase). We observed a significant effect of price transparency on purchase choice ($B = 2.35$, $SE = 0.38$, $Wald = 5.14$, $p < .05$). In particular, the presence of transparency about the price components significantly increases consumers' purchase choice (presence of transparency: 91%, absence of transparency: 81.2%). However, we did not observe any significant direct effect of default price level on purchase choice.

Further, we ran a series of t-tests to appreciate the difference in the average revenues generated in each condition. To this end, we did not consider respondents who expressed a no purchase preference. We found that in the presence of price transparency condition, the product generated a total of \$ 3,520 in revenues ($M = 28.66$; $SD = 6.44$; $N = 123$). In particular, the low ($M = 29.05$; $SD = 7.00$; $N = 42$) and high ($M = 28.95$; $SD = 6.95$; $N = 43$), default price conditions both generated \$ 1,220, while the medium default price generated \$ 1,080 ($M = 27.89$; $SD = 5.15$; $N = 38$). However, we could not find any significant difference in the average revenues generated by the levels of default price. In particular, we found that the difference between the low and medium default price was not significant [$t(78) = 0.83$; ns] as well as the comparison between the low and high default price [$t(83) = 0.92$; ns] and between the medium and high default [$t(79) = -0.77$; ns]. On the other hand, the absence of transparency condition totally generated \$ 2,795 in revenues ($M = 26$; $SD = 3.30$; $N = 110$). In this case, the low default price condition generated \$ 910 ($M = 25.54$; $SD = 2.29$; $N = 37$), the medium default price condition generated \$ 870 ($M = 25.57$; $SD = 2.36$; $N = 35$), and the high default condition generated \$ 1,015 ($M = 26.84$; $SD = 4.57$; $N = 38$). Even in this case, we could not find any significant difference in the average revenues generated by the different default price levels. In particular, we did not find any significant difference in revenues between the low and medium default price [$t(70) = -0.06$; ns],

nor between the low and high default price [$t(72) = -0.155$; *ns*] or between the medium and high default [$t(71) = -1.48$; *ns*]. However, we found a significant difference between the presence vs. absence of price transparency conditions [$t(231) = -3.9$, $p < .001$]. This confirms that regardless of the default price set by the firm, transparency plays a fundamental role in determining consumers' purchase choices.

8. Study 4

In Study 2 and 3 we adopted a 30% level of deviation from the mid price to conduct the experiments. However, Study 4 seeks to confirm the effectiveness of our model for other levels of deviation from the mid price. Following previous research, we tested two other levels of price deviation, namely 15% (Schmidt, Bornschein & Maier, 2020) and 20% (Haws & Bearden, 2006). We implemented a 3 (default price: high vs. medium vs. low) \times 3 (price deviation: 30% vs. 20% vs. 15%) between-subject experimental design. A total of 317 American respondents (female: 54.9%; $M_{age} = 39.5$ SD = 16.01) were recruited online from Prolific and participated in the study. Participants were randomly assigned to one of the experimental conditions. We employed the same stimuli from Study 3, manipulating only the different price deviation levels. Specifically, the three price levels for the 20% deviation conditions were \$28, \$35 and \$42 while the three price levels for the 15% deviation conditions were \$30, \$35 and \$40. As for the previous studies, we employed the same scales regarding the default price manipulation check, brand attributions (Campbell, 1999; $\alpha = 0.82$), brand attitudes (Holbrook & Batra, 1987; $\alpha = 0.87$) and purchase intention.

We ran three separate one-way ANOVAs to test the effect of default price on brand attributions and attitudes at each level of price deviation. Our results show that at the 30% deviation, the default price has a significant effect on both brand attributions [$F(2, 102) = 3.57$; $p < .05$; $\eta^2 = 0.07$] and attitudes [$F(2, 102) = 4.04$; $p < .05$; $\eta^2 = 0.07$]. On the other hand, we found that at the 15% deviation level the default price does not produce any significant effect on both brand attributions [$F(2, 103) = 0.27$; *ns*] and attitudes [$F(2, 103) = 0.25$; *ns*]. The same applies at the 20% price deviation level (brand attributions: $F(2, 103) = 0.36$; *ns*. Brand attitudes: $F(2, 103) = 0.19$; *ns*). In particular, the low default price at the 30% price deviation level generates the most positive brand attribution ($M = 5.41$) and attitudes ($M = 5.36$) among all the conditions.

Further, we investigated the revenue estimation for each level of price deviation, finding that the 15% deviation level from the mid price generates the highest revenues among the conditions. Specifically, the 15% deviation level generated \$ 2,450 ($M = 32.67$; SD = 3.32; $N = 75$) while the 20% deviation level generated \$2,268 ($M = 30.65$; SD = 3.96; $N = 74$) and the 30% deviation level \$2,155 ($M = 28.73$; SD = 6.32; $N = 75$). After excluding from the analysis the respondents who chose the no-buy option, we ran a series of t-tests finding that both the 15% [$t(148) = 4.77$, $p < .001$] and the 20% deviation level [$t(147) = 2.21$, $p < .005$] generated more revenues on average than the 30% deviation level. Moreover, also the difference between the 15% and 20% deviation levels was significant [$t(147) = 3.37$; $p < .01$].

These results show that only a consistent deviation from the mid price (i.e. 30%) can produce a significant effect of default price on both brand attributions and attitudes. Although the estimated revenues from lower price deviation levels are higher, it is important for firms to adopt a long-term perspective and adopt a pricing strategy that can have an impact on how the company is perceived by consumers. In this vein, adopting a 30% price deviation level is a preferable option. Therefore, we will apply this level of deviation from the mid price for the next experiment.

9. Study 5

Study 3 has provided support to our theorizing about the impact of price transparency information on brand attributions, which in turn

affect attitudes. The goal of Study 5 is to investigate deeper this effect, analysing how consumers respond to two different types of transparency information, namely reflecting an internal or external responsibility focus. Furthermore, in Study 5 we investigate more directly the downstream consequences of brand attitudes on the willingness to purchase the product. Therefore, the experiment compares the differential effect of the three levels of default price on brand attitudes and willingness to purchase, testing the moderation effect of the presence of internal (vs. external) firm's responsibility information.

9.1. Stimuli material

We manipulated the three default price levels as in the previous studies while firm's responsibility information was manipulated by attributing an internal or external focus to the firm's activities. Specifically, participants in the internal responsibility condition read that the medium and high price levels would "help invest in the team and improving the working conditions of employees" (Li et al., 2015). On the other hand, external responsibility activities involved investing "in the development of eco-friendly packaging and reducing CO₂ emissions" (Li et al., 2015). Details of the stimuli can be found in Appendix A.

9.2. Participants and procedure

A total of 420 German consumers (women: 54.8%; $M_{age} = 29.44$, SD = 10.32) recruited from the Prolific online panel participated in the study. We implemented a 3 (default price: high vs. medium vs. low) \times 2 (firm's responsibility focus: internal vs. external) between-subject design manipulating the default price level for the product and the focus of the firm's activities. Participants read the same scenario description from the previous experiments.

9.3. Measures

We employed the same scales from the previous experiment regarding the default price manipulation check, brand attitudes (Holbrook & Batra, 1987; $\alpha = 0.93$), purchase choice and attitudes towards sustainability (Mittal, 1995 $\alpha = 0.93$). In addition, we included one question as the manipulation check for the firm's responsibility focus ("What was the focus of The Online Boutique's activities?"; "0 = Internal"; "1 = External"). Moreover, we asked respondents to indicate their willingness to purchase the product on a three-items 7-points Likert scale ("I am willing to buy the backpack"; "Buying the backpack is likely for me"; "Buying the backpack is probable for me") (Zaichkowsky, 1994 $\alpha = 0.95$). Furthermore, we included measures about brand involvement on a 11-items semantic differential 7-points Likert scale (Klein et al., 1998; $\alpha = 0.95$). Finally, respondents answered demographic questions.

9.4. Results

9.4.1. Effects on brand attitudes and willingness to purchase

Twelve respondents (2.86%) failed at least one of the manipulation check questions and thus were excluded from the analysis. Firstly, we ran a one-way ANOVA to assess the direct impact of default price levels on consumers' willingness to purchase. The analysis showed a significant main effect of default price [$F(2, 408) = 3.37$, $p < .05$; $\eta^2 = 0.02$] on willingness to purchase the product. In particular, respondents in the high default condition expressed lower purchase intentions ($M_{high} = 3.28$, SE = 0.13) than respondents in the medium ($M_{med} = 3.38$, SE = 0.13) and low ($M_{low} = 3.75$, SE = 0.14) default conditions. Further, we ran a 3 (default price: high vs. medium vs. low) \times 2 (firm's responsibility focus: internal vs. external) two-way ANOVA to evaluate the impact of default price levels and firm's responsibility focus on our mediation, brand attitudes (H4). Results revealed a significant effect of default price [$F(2, 408) = 4.86$, $p < .01$; $\eta^2 = 0.04$] on brand attitudes. Specifically, respondents in the high default condition expressed lower brand

Table 4
Coefficients of the variables in the Model for Study 5.

Predictors	B	SE	t	LLCI	ULCI
Outcome: Brand attitudes (reference: low default)					
High default	-0.54	0.14	-3.72	-0.81	-0.25
High default × CSR focus	0.47	0.20	2.40	0.09	0.87
R ²					0.53
Outcome: Brand attitudes (reference: medium default)					
High default	-0.29	0.14	-2.10	-0.57	-0.02
High default × CSR focus	0.15	0.20	0.77	-0.24	0.54
R ²					0.53
Outcome: Willingness to purchase					
Brand attitudes	0.31	0.08	4.01	0.17	0.49
R ²					0.26

Notes: Note: N = 409. Unstandardized regression coefficients are reported. Bootstrap sample size = 10,000. LL = lower limit; CI = confidence interval; UL = upper limit. Bold values indicate $p < .05$.

attitudes ($M_{high} = 4.56$, $SE = 0.07$) than their counterparts in the medium ($M_{med} = 4.79$, $SE = 0.07$) and low default price condition ($M_{low} = 4.86$, $SE = 0.07$). Moreover, we also found a significant effect of the firm’s responsibility focus on brand attitudes [$F(1, 408) = 4.33$, $p < .05$; $\eta^2 = 0.01$]. Participants expressed more positive brand attitudes in the external focus condition ($M = 4.82$, $SE = 0.06$) than in the internal focus condition ($M = 4.65$, $SE = 0.06$), providing support for our H4. The interaction effect between our two independent variables showed a marginally significant effect [$F(2, 408) = 2.89$, $p = .057$; $\eta^2 = 0.02$]. In particular, a further investigation showed that the effect of the moderator is significant at the high default price level ($M_{int} = 4.36$; $M_{ext} = 4.75$; $p < .01$), meaning that respondents develop significantly more positive attitudes for externally-focused activities when the default price is set on the highest level, providing support for our H5. Attitudes towards sustainability [$F(1, 409) = 0.50$, *ns*] and brand involvement [$F(1, 409) = 361.2$, $p < .001$] were adopted as control variables in the model. Overall, the model predicted more than 50% of the variance ($R^2 = 0.51$).

To test our H6, we performed a moderated mediation analysis employing the Hayes (Hayes & Preacher, 2014) Model 7 macro with 10,000 bootstrapped samples, using default price as independent variable, responsibility focus as the moderator, brand attitudes as the mediator and willingness to purchase as the dependent variable. We ran

the analysis in two consecutive steps as described for the previous studies. The results of the comparison between high and medium default price showed no significant moderated mediation index (c_2' : $\beta = -0.05$; CI 95% [-0.09, 0.20]). Conversely, the results for the high versus low default price condition showed a significant index of moderated mediation (c_1' : $\beta = 0.16$; CI 95% [0.03, 0.34]). In particular, high defaults decrease brand attitudes (a_1 : $\beta = -0.54$; CI 95% [-0.82, -0.26], $p < .001$) but this effect becomes positive when an external CSR focus is communicated (a_2 : $\beta = 0.47$; CI 95% [0.09, 0.88]; $p < .05$). In turn, brand attitudes has a positive significant effect on willingness to purchase (b : $\beta = 0.31$; CI 95% [0.15, 0.47]; $p < .001$). The results show a full mediation of brand attitudes as the main direct effect of default price levels on willingness to purchase is no longer significant after introducing the mediator ($\beta = -0.15$; CI 95% [-0.48, 0.19]). Attitudes towards sustainability ($\beta = -0.16$; CI 95% [-0.28, -0.04]; $p < .001$), brand involvement ($\beta = 0.35$; CI 95% [0.21, 0.48]; $p < .001$), gender ($\beta = 0.01$; CI 95% [-0.24, 0.26]; *ns*) and age ($\beta = 0.01$; CI 95% [0.00, 0.03]; $p < .05$) were adopted as control variables in all the models. Therefore, our H6 is supported. Table 4 shows the coefficients in the Model for Study 5.

9.4.2. Purchase choice and revenues estimation

We ran a series of t-tests to appreciate the difference in the average revenues generated in each condition. To this end, we did not consider respondents who expressed a no purchase preference. We found that the internal responsibility condition totally generated \$ 4,330 ($M = 29.26$; $SD = 6.40$; $N = 148$) while the external responsibility generated \$4,760 ($M = 30.12$; $SD = 6.46$; $N = 158$). The t-test showed no significant difference between the average revenues generated [$t(304) = -1.18$; *ns*]. Further, we tested the difference in revenue generation among the different levels of default price. In the external responsibility condition, the low default generated \$ 1,520 ($M = 29.23$; $SD = 5.72$; $N = 52$), while the high default generated \$1,710 ($M = 31.67$; $SD = 7.52$; $N = 54$) and the medium default generated \$ 1,530 ($M = 29.42$; $SD = 5.74$; $N = 52$). However, we could only find a marginally significant difference in revenues between the low and high default conditions [$t(104) = -1.87$; $p < .1$]. In the internal responsibility condition, the low default generated \$ 1,610 ($M = 29.81$; $SD = 7.45$; $N = 54$), the medium default generated \$ 1,430 ($M = 28.60$; $SD = 5.63$; $N = 50$) and the high default generated \$ 1,290 ($M = 29.31$; $SD = 5.87$; $N = 44$). Although we could

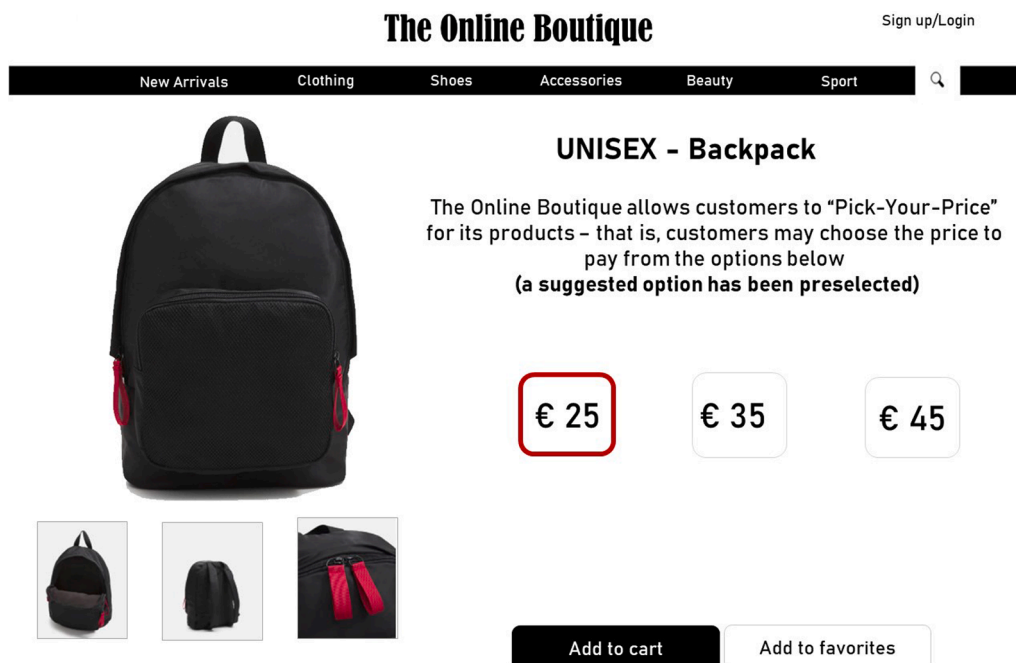


Fig. A1. Stimulus for low default/absence of transparency condition.

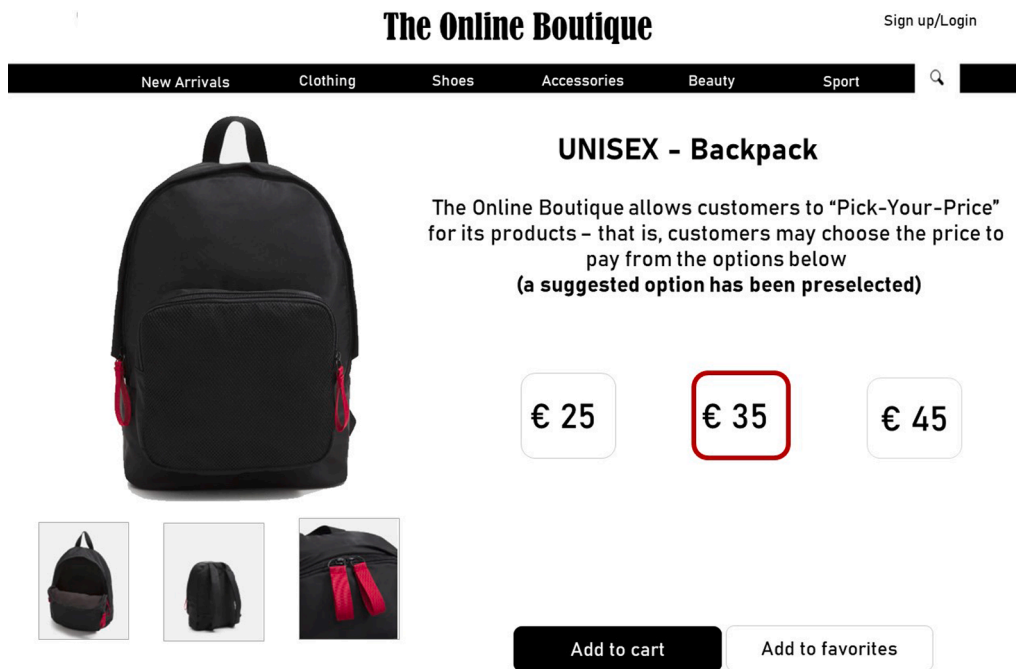


Fig. A2. Stimulus for medium default/absence of transparency condition.

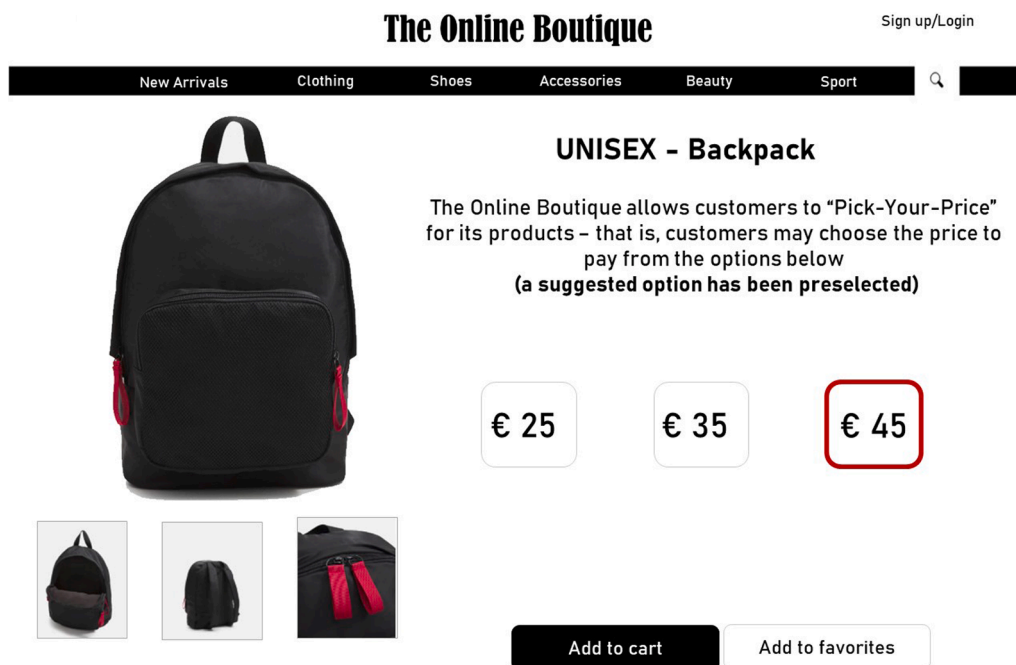


Fig. A3. Stimulus for high default/absence of transparency condition.

not find any significant difference in the average revenues generated by each condition, the revenues estimation interestingly shows that in the internal responsibility condition the high default generates the lowest revenues, contrarily to previous studies. This means that while for external responsibility practices a high default positively impacts consumers' purchase choices consistently with previous research (Steffen et al., 2020), the opposite is true in cases when the firm's responsible practices are internally-focused.

10. General discussion

Overall, our results provide support to our hypotheses regarding the effect of applying a default price architecture in a PYP context on brand causal attributions, brand attitudes and, in turn, purchase intentions. Our results are consistent with the predictions of attribution theory (Wiener, 1980) suggesting that when individuals ascribe negative motives to firms, it will result in negative brand evaluations. In this case, the findings of the qualitative exploration of the phenomenon show that consumers feel confused and suspicious when deciding a price to pay in PYP settings. These negative feelings will transform into negative causal

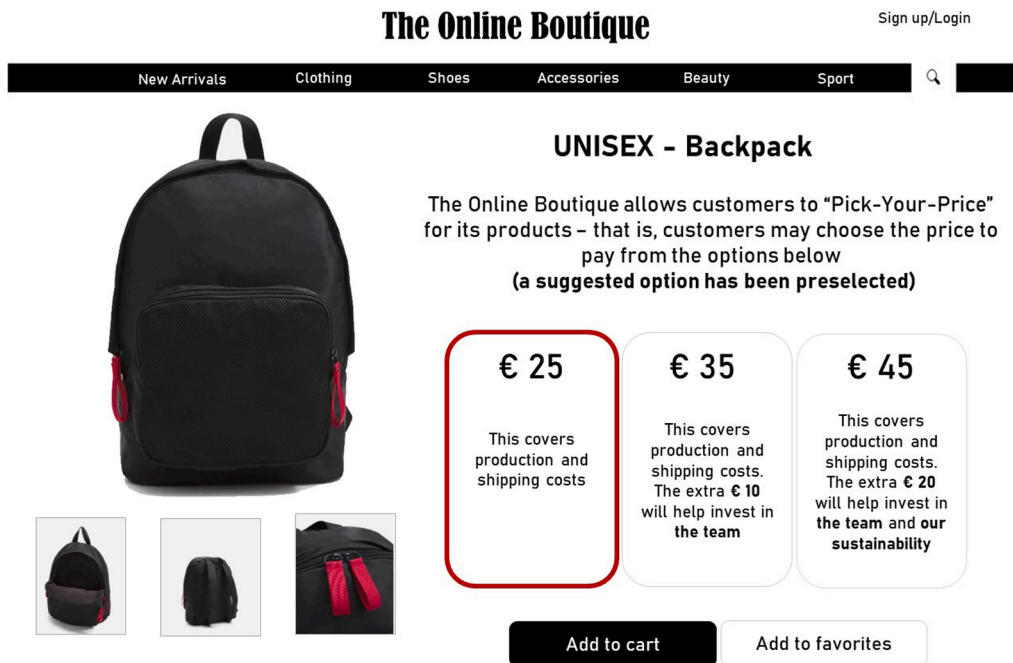


Fig. A4. Stimulus for low default/presence of transparency condition.

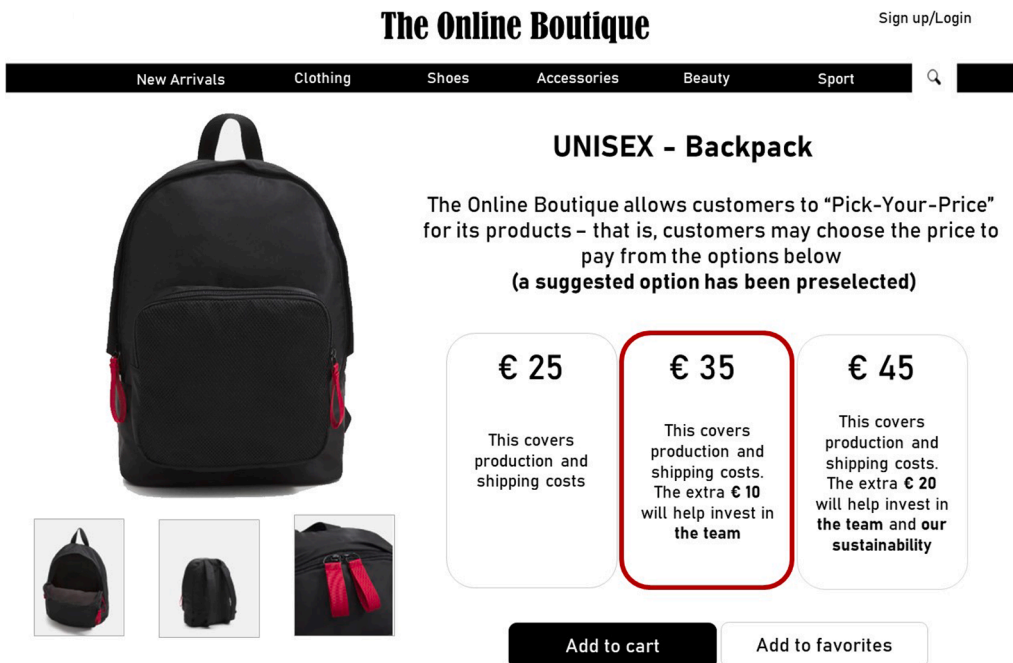


Fig. A5. Stimulus for medium default/presence of transparency condition.

attributions when the company introduces a default price configuration in the PYP. In turn, negative causal attributions lead to more negative brand attitudes (Study 2), although the estimated revenues are higher for high default levels (Steffen et al., 2020). However, price transparency has a positive effect on brand causal attributions for each level of default price, meaning that when the company is more transparent about the pricing strategy and price components, consumers will ascribe more positive causal attribution to the firm, regardless of the selected default price. Moreover, introducing price transparency in a PYP setting is also conducive to more revenues (Study 3). Interestingly, consumers develop more positive brand attitudes and, in turn, higher willingness to purchase when the price transparency points to external CSR practices

(Study 4). Although being transparent regarding both external and internal CSR practices has positive effects on companies' evaluations (Li, Fu & Huang, 2015), we found that in default price settings consumers are more positively stimulated by transparency regarding external practices. This is especially true in cases of high default settings. As Pelozo and Papania (2008) point out, this effect might be due to the low salience of internal CSR practices for consumers as relevant stakeholders in our context, who attribute a low intrinsic value to the organization's activities (Pelozo & Shang, 2011). Setting a high default, thus nudging consumers to sustain a higher cost to contribute to low salient activities for them, results in the development of negative attitudes and, in turn, lower willingness to purchase the product. All of the above is true when

The Online Boutique Sign up/Login

New Arrivals Clothing Shoes Accessories Beauty Sport



UNISEX - Backpack

The Online Boutique allows customers to “Pick-Your-Price” for its products – that is, customers may choose the price to pay from the options below
(a suggested option has been preselected)

€ 25

This covers production and shipping costs

€ 35

This covers production and shipping costs. The extra € 10 will help invest in the team

€ 45

This covers production and shipping costs. The extra € 20 will help invest in the team and our sustainability

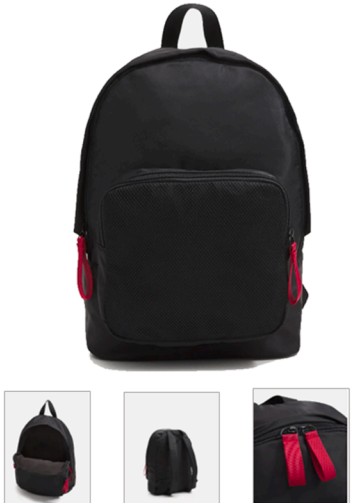
Add to cart

Add to favorites

Fig. A6. Stimulus for high default/presence of transparency condition.

The Online Boutique Sign up/Login

New Arrivals Clothing Shoes Accessories Beauty Sport



UNISEX - Backpack

The Online Boutique allows customers to “Pick-Your-Price” for its products – that is, customers may choose the price to pay from the options below
(a suggested option has been preselected)

\$ 25

This covers production and shipping costs

\$ 35

This covers production and shipping costs. The extra \$10 will help invest in the development of eco-friendly packaging.

\$ 45

This covers production and shipping costs. The extra \$20 will help invest in the development of eco-friendly packaging and reducing our CO2 emissions.

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Fig. A7. Stimulus for low default/transparency about external CSR.

there is at least a 30% deviation level from the mid price. Although lower deviation levels (i.e. 15% and 20%) might generate more revenues in the short run, they are not able to impact the firm’s intangible assets such as brand attributions and attitudes.

11. Theoretical contributions

This study makes salient contributions at the intersection of three different streams of literature relating to participative pricing mechanisms, defaults, price transparency.

Firstly, to the best of our knowledge, only one study (Wang, Beck & Yuan, 2021) has investigated the PYP, comparing it with other participative (e.g. Pay-What-You-Want) and fixed pricing strategies. We adopt

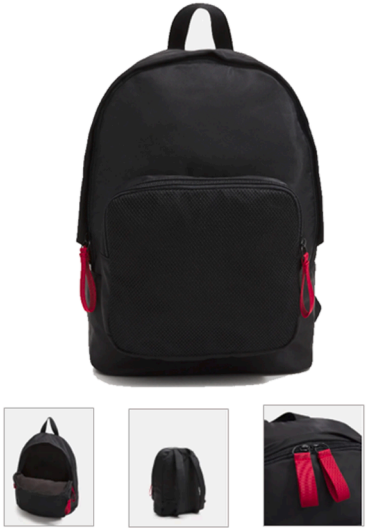
a more focused perspective on PYP and uncover one psychological mechanism (i.e. causal attributions) that underpins the relationship between the pricing strategy and brand attitudes. We further provide evidence on how introducing price transparency in PYP contexts improves the overall brand evaluation and profitability of the strategy.

Secondly, we test the impact of introducing a default price architecture in the context of PYP. While previous studies have confirmed the positive effect of defaults in nudging consumer behaviors in a variety of contexts (Johnson & Goldstein, 2003; Johnson et al., 2013) we demonstrate that, in absence of price transparency, consumers ascribe negative causal attributions to firms setting the default choice on the high price level. In addition, we test these effects at different levels of deviation from the mid price, finding that these effects of causal

The Online Boutique

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UNISEX - Backpack

The Online Boutique allows customers to “Pick-Your-Price” for its products – that is, customers may choose the price to pay from the options below
(a suggested option has been preselected)

\$ 25

This covers production and shipping costs

\$ 35

This covers production and shipping costs. The extra \$10 will help invest in the team

\$ 45

This covers production and shipping costs. The extra \$20 will help invest in the team and improving the working times of our employees.

Add to Cart

Add to Wishlist

Fig. A8. Stimulus for high default/transparency about internal CSR.

attributions hold only for certain levels of deviation from the mid price (i.e. 30%).

Thirdly, this work extends the literature on price transparency by confirming the positive impact of price transparency on brand causal attributions and, in turn, brand attitudes in the context of PYP. Moreover, our findings confirm the positive impact of price transparency on the overall profitability of the pricing strategy. This effect can manifest differently whether the company communicates an internal or external CSR practice. While previous research has identified a positive effect of internal CSR on consumers (Buell & Kalkanci, 2020), we find that in PYP contexts where the price determination task is delegated to consumers (Wang et al., 2021), communicating external CSR practices is more likely to increase brand attitudes and stimulate purchase intentions.

12. Managerial contributions

This paper also gives insightful recommendations to managers planning to adopt the PYP strategy. Firms are continuously looking for innovative pricing strategies that delegate part of the price-setting task to consumers (Chandran & Morwitz, 2005), to engage them more in the purchase process and be more profitable (Kim, Natter & Spann, 2009). By shedding light on consumers' perceptions of the PYP strategy and testing the effects of one of its possible configurations, this paper helps managers setting the PYP effectively.

In particular, we show how consumers perceive the PYP as creating confusion, doubts about product quality and suspicion about the firm's motivations to adopt it. Nudging consumers towards a low price level might be beneficial in stimulating both brand attribution and attitudes, although it might have a less powerful effect on revenues compared to higher default prices. In particular, our results show that high default price levels are estimated to generate 3.47% and 5.79% more revenues than low and medium default levels respectively. However, being transparent helps to reconcile this discrepancy between revenues, attitudes and attributions. We show that transparency greatly enhances brand attribution, attitudes and revenues in PYP settings. Specifically, our studies reveal that transparency increases estimated revenues up to 12.54% across the three default price levels, compared to when it is not communicated. Delving deeper in the role that transparency about different types of CSR activities has on attitudes and revenues, we found

that an external CSR focus not only significantly increases brand attitudes when a high default price level is set, but it also magnifies willingness to purchase and revenues. Specifically, high defaults communicating an external CSR focus generated the highest average estimated revenues across our studies ($M = \$ 31.67$) and the highest increase in revenues compared to when transparency is not communicated (+17.95%). This insight suggests managers to explicitly disclose the motivations behind the different price components in PYP setting, particularly when these components contribute to perform external CSR activities. In these cases, setting high default price levels enhances brand's attributions, attitudes, willingness to purchase and, ultimately, revenues.

Finally, we provide relevant managerial suggestions about the level of deviation from the mid-price managers should adopt in PYP settings. We show that lower levels of deviation (i.e. 15% and 20%) are more effective in revenue generation than higher deviation levels (i.e. 30%). Specifically, a 15% deviation level is estimated to produce 13.71% more revenues than a 30% deviation level whereas a 20% deviation level increases the estimated revenues by 6.68%. However, higher deviation levels are more effective in improving brand attributions and attitudes, which would provide more positive returns in the long run.

13. Limitations and future research directions

Building on previous research (e.g. Wang, Beck & Yuan, 2021), we explore consumers perceptions of the PYP strategy when combined with a default choice architecture. The context of our analysis is an online retailing setting and we adopted a backpack as the focal product of our study. Further research could build upon our results and confirm them in other settings (e.g. physical stores). In online contexts consumers cannot actually physically inspect products and therefore being confronted with different price levels might create confusion about a potential difference in quality depending on the price chosen. Conversely, in offline contexts consumers can assess the quality of the product directly and, more importantly, they interact with salespeople. These interactions might determine the price level consumers will subsequently choose. Analysing PYP in offline contexts would also provide the opportunity to gather data from field studies.

In evaluating the impact of transparency regarding different CSR

practices (Study 5), we have not considered the perceived congruence of the brand CSR performance with its CSR communication (Pelozo & Shang, 2011), which is an important factor shaping consumer responses to CSR. When CSR communications and actions are not consistent, consumers can perceive the company as hypocritical and less trustworthy. What is the impact of CSR congruency in terms of purchase intentions in default price PYP settings? It would be interesting to assess the impact of default prices in PYP settings for different brands having various levels of congruency with CSR practices.

The knowledge on PYP as alternative participative pricing strategy is just starting to accumulate, and its functioning, effects on both companies and consumers, as well as the boundary conditions have just started to be unveiled.

CRedit authorship contribution statement

Giandomenico Di Domenico: Conceptualization, Formal analysis, Methodology, Project administration, Writing – original draft, Writing – review & editing. **Katia Premazzi:** Conceptualization, Supervision, Writing – original draft, Writing – review & editing. **Antonella Cugini:** Funding acquisition, Resources, Supervision.

Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Appendix A. Stimuli for studies 2, 3, and 4

See Figs. A1–A8.

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