

**BEYOND THE HERE AND NOW: A CONVERSATION-THEORETICAL
PERSPECTIVE ON PRICE COMMUNICATION**

Julia von Schuckmann

Marco Bertini

Ann Kronrod*

15 July 2019

- * Julia von Schuckmann (julia.vonschuckmann@esade.edu) is a PhD candidate in marketing and Marco Bertini (marco.bertini@esade.edu) is an associate professor in marketing, both at ESADE—Universitat Ramon Llull, Avinguda de la Torre Blanca 59, 08172 Sant Cugat del Vallès, Spain. Ann Kronrod (ann_kronrod@uml.edu) is an assistant professor of marketing, entrepreneurship, and innovation, Manning School of Business, University of Massachusetts Lowell, 72 University Avenue, Lowell, MA 01854, USA. This paper is based on the dissertation research of the first author. Correspondence: Julia von Schuckmann.

BEYOND THE HERE AND NOW: A CONVERSATION-THEORETICAL PERSPECTIVE ON PRICE COMMUNICATION

ABSTRACT

This paper presents a novel conceptualization of the most common techniques firms use to communicate prices. First, we classify existing price communication techniques based on the type of action taken by firms. We then develop a framework to understand the influence of the different techniques in our classification on the ongoing relationship between firms and their customers—a perspective that extends the more transactional, one-shot view dominant in the literature. Specifically, we take a language philosophy approach and use conversation theory to formulate predictions regarding the impact of a given price communication technique on the quality of the relationship. Our conceptualization allows scholars, professionals, and policy makers to contrast and judge the different techniques on a common basis. Finally, we offer directions for future research and implications for marketing practice.

Keywords: Price communication, relationship marketing, conversation theory, behavioral pricing.

The last three decades have witnessed a significant shift in the way marketing research and practice construe commercial exchanges between a firm and its customers. The traditional view is transactional in nature, where each interaction stands in isolation and is evaluated on its own, typically short-term, merits. In contrast, the emerging position is that firm and customers are engaged in ongoing relationships, where the goal is to maximize overall, or “lifetime,” value (Bagozzi 1995; Srinivasan and Moorman 2005). Nourishing customer trust and loyalty is now deemed a critical business skill (Berry and Parasuraman 1991), in particular when paired with the increasing awareness that attracting new customers is a costly endeavor relative to retaining those who already purchase (Too, Souchon and Thirkell 2001). Key ingredients of relationship marketing include cooperation (Dwyer, Schurr, and Oh 1987; Wilson and Sperber 1995), bilateral communication (Hibbard, Kumar, and Stern 2001), and the optimization of returns over a prolonged period of time (Morgan and Hunt 1994). Accordingly, new lines of enquiry have gained popularity, including studies on customer lifetime value (Ryals 2005), customer loyalty (Kumar and Shah 2004), customer retention (Harris, Baron, and Harris 1995), and customer service management (Christopher 2016).

One important substantive area of marketing research that has resisted this trend is pricing. A case in point is behavioral research in pricing, which primarily questions how alternative means to present a given price can convince customers to purchase or at least improve attitudes toward the product. There are probably several reasons for this approach, including the prevailing belief that price is a negative attribute that marketers should downplay in order to improve sales (Schindler and Kibarian 1996), and the fact that controlled experiments, the standard empirical tool in this domain, are better suited for short-term effects (Ryals and Wilson 2005).

A common assumption across the behavioral literature on price communication techniques (PCTs) is that customers are mostly unaware of persuasion attempts by firms and, therefore, that there is no space for any effect on attitudes or behaviors beyond the present context (Schindler and Warren 1988). Yet against this premise is rising anecdotal evidence, particularly in social media, that many customers do notice persuasion intentions, they draw inferences from PCTs about the motives of firms, and they often mobilize to retaliate against perceived wrongdoings. This is further backed by the recent actions of legislators, who have moved to police firms and regulate against practices that they deem deceptive. For example, the

UK Office of Fair Trading recently initiated regulations against “unfair, cumbersome, and misleading” pricing practices, including a perceived lack of transparency and unclear surcharges in markets for air travel, insurance, and financial services.

Within this context, the objective of our paper is to present a conceptualization of the most common PCTs that speaks to the emerging philosophy of firm-customer relationships. First, we classify existing PCTs based on the type of action taken by the firm, ultimately sorting them into three groups: price endings, price structure, and price cues. Second, we develop a framework to understand the influence of different techniques on the ongoing relationship between firm and customers. Specifically, we take a language philosophy approach and use conversation theory (Grice 1975; Kasher 1982) to predict the impact of a given PCT on the quality of the relationship. Last, we study how these maxims apply and raise critical questions that serve as a possible starting point for future research and provide guidance for professionals and policy making.

MAKING SENSE OF THE LITERATURE ON PRICE COMMUNICATION

We conducted a search across five online databases—Science Direct, Google Scholar, PsycInfo, SAGE Journals, and SSRN—using “pricing” and “price” as keywords for our search published over the last 35 years (N=3,257). We chose a range of 35 years because the notion of relationship marketing first evolved in the late 1980’s (Christopher 2016). This would allow us to observe if this relationship paradigm was implemented in the research of PCTs. We then narrowed down the literature by filtering out all articles that talk about price setting techniques (e.g., dynamic pricing and discounting) and only kept the articles that analyze PCTs (the way marketers manipulate price perception while holding the actual price constant). We then conducted another search using each price communication technique as a keyword (e.g., “price partitioning”) in order to verify our results and ensure we included the articles of interest. While our focus was on scholarly peer-reviewed articles in marketing, we also included a set of industry publications that are frequently cited in the academic literature. Ultimately, our dataset included 238 peer-reviewed articles investigating PCTs. Out of this dataset, our review focuses on 66 articles that were published in the top 10 ranked journals in marketing and selected relevant disciplines (behavioral economics and management). We chose this set of journals

because these are the behavioral marketing and customer behavior journals that are most highly respected and all have high impact factors. This allows us to exemplify the diversity of PCTs, and demonstrate that this large body of research in price communication applies a rather transactional point of view.

We first defined and then classify the PCTs according to the way they change the perception of price while holding the actual price constant. This classification yielded three main forms used to manipulate price perception: (1) changing the endings of the price (price endings), (2) using mathematical rules to represent the price (price structure), and (3) adding external cues to the price (price cues). We used these three clusters because they emerged in our initial review of the literature as being the most frequently occurring PCTs and because they summarize extant knowledge in a parsimonious manner. Table 1 lists the three clusters and the PCTs under each cluster, as well as details on the literature that tested these PCTs.

Cluster 1: Price Endings

As the label suggests firms shape their way prices are perceived by modifying the ending. These techniques are characterized by manipulating the amount of detail given at the ending of the price number, after the decimal point.¹ There are three PCTs in this cluster: charm prices; precise prices; and round numbers. We exemplify the diversity of their effects (mainly transactional) and mechanisms below.

Charm prices. Charm prices are prices that end with .99 (or .95), often resulting in a decrease of the leftmost digit by one (e.g., \$1.99 instead of \$2.00). As a result, charm prices make the price seem smaller. Research on charm prices has explored many of their potential effects, such as changed preferences, purchase intention, the efficacy of advertising, and changed perceptions of the offer (e.g., lower perceived quality of a product or a better deal). Thomas and Morwitz (2005) show that charm prices increase willingness to pay, whereas Choi et al. (2014) indicate that they reduce guilt in hedonic purchases. While 99-endings can increase sales (Schindler and Kibarian 1996), they can also impair the perceived quality of the product (Stiving 2000). The most common explanation for customers' underestimation of 99-endings is the tendency to round prices down (Schindler and Warren 1988). Thomas and Morwitz (2005)

¹ Strictly speaking, the firm varies the price. However, this tactic is usually considered as price communication because the change is immaterial (i.e., a few cents).

demonstrate that with charm prices the encoded magnitude of the price gets anchored on the leftmost digit (i.e., 2 instead of 2.99 or almost 3).

Precise price. This price communication technique states an exact specific amount, including the two digits after the decimal point (e.g., \$1,349.34). The work on precise prices provides mixed conclusions on how this price communication technique affects customers. Coulter, Choi, and Monroe (2012) demonstrate that when cents are added to a price, customer perception of the numerical magnitude increases by a greater percentage than the actual increase in the numerical value of the cent digits, in other words the price seems bigger, because of a greater verbal encoding process. However, Thomas, Simon, and Kadiyali (2010) indicate that customers tend to underestimate the magnitudes of precise prices, positively influencing their willingness to pay.

Round prices. Lastly, round prices manipulate the ending of the price by portraying a non-exact, approximate round number (e.g., \$100). Wieseke, Kolberg, and Schons (2016) argue that customers perceive round prices as being more convenient because their high cognitive accessibility saves time and processing effort during transactions. Similarly, Wadhwa and Zhang (2015) demonstrate that round prices are processed more fluently than non-round prices.

Cluster 2: Price Structure

In this cluster, we include five PCTs that change the algebraic representation of a price by breaking it down into several elements that require calculation to reach the whole price. These techniques include partitioned pricing, temporal reframing of price, discount framings, and transparent pricing.

Price partitioning. In this case, a product's price is split into two or more parts instead of charging one all-inclusive price at once; for example, the partitioning of the price of a mail-ordered product into the base price of the product and the charge for shipping and handling. Price partitioning has a positive effect on purchase intention, possibly because it demands higher cognitive processing for the full price to be understood (Morwitz et al. 1998). While customers tend to be more sensitive to changes in product prices than to supplementary sales taxes (Xia, Monroe and Cox 2004), price partitioning can draw attention to secondary attributes (Bertini and Wathieu 2008) and increase perceptions of sacrifice. Völckner, Rühle, and Spann (2012) found that price partitioning can increase a price's informational (e.g., price-quality) effect, thereby boosting demand; but it also increases the perception of making a sacrifice, and this has an

inverse impact on demand. Other research streams in price partitioning demonstrate additional consequences, for instance, brand attitude can be impaired when customers attribute price recall errors to the firm's actions rather than themselves (Lee and Han 2002). Further, high surcharges can erode perceived price fairness (Sheng, Bao and Pan 2007).

Temporal reframing. This technique involves expressing price in smaller increments, for instance in daily equivalents (e.g., \$0.87/day), even if the actual payment is a single aggregate. Gourville (1998) shows that temporal reframing of a price into small increments changes the perception of price so that customers perceive it as an overall smaller expense, resulting in greater purchase intentions.

Transparent pricing. This technique involves presenting the price components and revealing information on the way these components make the total price (e.g., production, transportation, tax, service costs, and profit margins). The marketer varies not only the presentation of the price itself, but also adds the information given to produce the product. Transparent pricing systematically changes the customer utility function, reducing self-interest and influencing customers to select the more expensive of two products because of inequity aversion, procedural justice, and altruism (Carter and Curry 2010).

Cluster 3: Price Cues

This cluster includes three PCTs that add external or additional cues, which alter the interpretation of the price. These include cues such as reference to a previous or a competitor's price, additional visual cues such as color or position of the price, or verbal cues, such as words or exclamation marks. The three PCTs that we include in this cluster are: numerical, visual cues, and verbal cues.

Numerical cues. Reference prices, for example, are prices other than the actual price of the product or service, which are quoted in order to create a mental association or bias. Examples include decoy offers, auction starting prices, and competitor prices (Chakravarti et al. 2002). Some research shows that reference prices can increase the price a person is willing to pay for a product (Krishna et al. 2002) because customers use the referenced price as an anchor for comparison (Nunes and Boatwright 2004). Consequently, the focal price seems smaller when compared to the referenced price increasing sales.

Visual cues. Visual cues like position, font size or color, have been shown to influence perceptions of price magnitude. For example, the position of a price on a display can influence a

customer's numerical estimates of its attributes, such that prices placed on the right side are viewed as larger than prices placed on the left side (Cai, Shen and Hui 2012). Coulter and Coulter (2005) find that when prices are presented in bigger fonts they are perceived as numerically larger, compared to prices presented in a smaller font. In addition, Coulter and Norberg (2009) suggest that a greater horizontal separation of prices leads to greater difference and, hence, price-discount perceptions, linked to a higher perceived value and increased purchase likelihood.

Verbal cues. People code and store prices not only visually, but also verbally (Vanhuele, Laurent and Dreze 2006). Thus, verbal cues that manipulate information not necessarily related to the price can signal about the price. For instance, increasing the verbal length of the price (e.g., “seventy-two” instead of “72”) results in increased perceived price, because of a positive relationship between the coding of syllabic length and numerical magnitude (Coulter, Choi, and Monroe 2012). The speed at which price can be enunciated, use of price abbreviations, or inserted text near the price containing words that imply a small magnitude are all examples of verbal cues that influence the price perception influencing purchase.

Insert Table 1 about here

Discussion

Two observations stand out from the review and grouping of PCTs offered above: firstly, the literature on price communication is heterogeneous and diversified with many different effects and many possible mechanisms explaining these effects. Researchers and marketers might face difficulties in deriving conclusions from the diversified research, which lacks a common ground for comparison and conceptualization. We group the PCTs based on a single common criterion, namely, the way the marketer manipulates price perception for specific communication goals. Thus, our classification of PCTs offers a basis to compare the effects within and between the clusters and makes it more parsimonious. This can be useful for researchers and marketers who want to gain insights about the field of price communication as a whole.

Secondly, and more importantly, this literature review demonstrates a transactional view of price communication and its description in research literature, such as orientation to single

sales, change of price perception, intention to buy, and willingness to pay. These foci prevail over research exploring a relationship view of price communications, such as the relational consequences of attitudes towards the product, brand image, loyalty, focus on customer value, or continuous customer contact (Christopher 2016). Lemon and Verhoef (2016) stress the importance of creating a positive customer journey to bond customers. Pansari and Kumar (2017) further emphasize that creating a satisfying relationship through marketing strategies is crucial for the long-term success of a firm.

CONVERSATION THEORY

We employ a language philosophy approach and propose a framework to characterize PCTs based on what we term “conversational cooperativeness.” Specifically, we introduce conversation theory as an overarching explanatory mechanism for all PCTs that could elucidate long-term effects on the relationships between firm and customer.

Conversation theory (Grice 1975; Kasher 1982) suggests that people use conversations as means to achieve their goals. For example, a couple who are engaged in a conversation about the preferred color of their kitchen walls are using conversation to convince each other about which color would be best. As conversations are means to achieve goals, the conversing parties are inherently interested in the conversation succeeding. To make a conversation successful, the conversers act cooperatively by obeying a set of four conversational maxims: quality, manner, relation, and quantity. That is, conversers are urged to make their contribution to the conversation so that it is (1) truthful (quality), (2) clear (manner), (3) relevant (relation), and (4) sufficiently informative (quantity). The maxim of “quality” posits that speakers should only say what they know to be true and accurate and avoid saying what they know to be untruthful. The maxim of “manner” implies that information should not be too complex, too vague, or too simplistic than that needed for the conversation. The maxim of “relation” requires speakers to provide only information that is relevant to the topic and the aims of the ongoing conversation. Lastly, the maxim of “quantity” requires speakers to provide neither more nor less information than the recipient needs.

Observance of these rules in communication is regarded as cooperative conversational conduct. People engaged in a conversation interpret what is being said based on the assumption

that their interlocutor is being cooperative (McCann and Higgins 1992; Zhang and Schwarz 2011). More specifically, the conversational partners are engaged in a continuous coordination where each party's mind is constantly probing every contribution to the conversation against the context. The conversational partners mutually agree to be understood in a particular way based on common expectations, relationships, norms, and hierarchies between the speakers (referred to as context), and then make inferences accordingly (Grice 1975; Levinson 1986).

The notion of conversational rules has already proven to be a powerful tool in social interactions (Schwarz 1994). Research on interpersonal communication suggests that adherence to conversational rules leads to more persuasive communication (Burgoon and Aho 1982; Brown et al. 1987; Gruenfeld and Wyer 1992), more meaningful social connections (McAllister et al. 2004), and positive long-term relationships (McAllister et al. 2004; Briones et al. 2011). For example, Briones et al. (2011) demonstrate that a two-way dialogue through social media has helped build faster service, media coverage, and a sense of community between customers and non-profit organizations.

Sometimes, either deliberately or accidentally, speakers fail to observe one or more of the maxims. When a speaker discretely violates one or more of the conversational maxims, such as intentionally contributing to the conversation information that is not truthful, clear, relevant, or right in quantity, and conceals this from the other party, this behavior is considered non-cooperative because the other parties cannot be expected to identify this violation of the maxim.² Concealed violations of the maxims in price communication may elicit a sense of non-cooperative communication, which can lead to negative responses from conversational partners, and ultimately harm their relationships.

² Violating a maxim vividly is considered cooperative, and in fact this is relatively common in interpersonal communication. However, within the scope of this work we focus on communication that does not typically include vivid violations of conversational maxims, therefore vivid violations are not interpreted in this work.

PRICE COMMUNICATION IN THE CONTEXT OF CONVERSATION THEORY

Research in marketing shows that conversational norms apply to marketing communication such as advertising, product descriptions, product reviews, or company announcements (Toncar, Munch, and Mayo 1994; Xu and Wyer 2010; Zhang and Schwarz 2013; Kronrod and Danzinger 2013). Assuming that price communication is an integral part of a conversation between firms and customers, we suggest that both parties—the firm and its customers—should be interested in a successful conversation so that they can each promote their goals: for the firm the goal may be to increase sales; for the customer the goal may be to solve a problem in a cost-effective manner. In fact, a pilot study demonstrates that when customers (325 MTurk workers, $M_{age} = 35.67$, 167 women) were asked to list tools or activities that they believe are commonly used in business to communicate about a brand or a product, and then ranked the top five tools or activities they believed to be most effective in communicating about a brand or a product, price was mentioned in 24.3% of the cases, and was ranked as most effective in half of those cases (12.1% of all cases).

If we view marketing communication as a conversation between a firm and a customer and price as an essential part of marketing communication (Kotler 2000; Krizan, Merrier, Logan and Williams 2008), then the four maxims of cooperative conversation should apply to price communication; and when followed, this can lead to positive firm-customer relationships with increased trust (Berry 1995) and loyalty to the firm (Kumar and Shah 2004), customer lifetime value, and higher customer retention (Harris, Baron and Harris 1995). If these maxims are violated then these relationships may be harmed. Rarely do customers remain oblivious to manipulation attempts over a period of time. Even though PCTs might be processed unconsciously and stimulate simplifying heuristics in the mind of customers, the violation of conversational rules might become apparent during the paying process, which in turn might cause the customer to speculate about the intention of the firm. Hence, taking a relationship perspective on PCT sheds light on the long-term consequences of the use of PCTs.

In this section, we evaluate the clusters we identified earlier—price endings, price structure, and price cues—on their potential to violate any of the conversational maxims (truthfulness, clarity, relevance, and quantity of information), thereby harming the firm's conversational cooperativeness. Even though a price communication technique can potentially

violate more than one maxim, for clarity of exposition we focus on the most prominent violation. We summarize this analysis in Table 2 and Figure 1.

Insert Table 2, Figure 1 about here

No Legal Pricing Technique Should Violate the Maxim of Quality

The maxim of quality requires conversation participants to say only what they believe to be true and to avoid saying what they believe to be untrue. In most countries, there are laws that forbid companies from blatantly lying, so it is not common to find marketing strategies that violate the maxim of quality. One rare example could be ‘bait and switch’, where a product is marketed at a discounted price, ‘as long as stocks last’, but the product is not actually available (Wilkie et al. 1998). This technique can be considered a form of violation of the maxim of quality. By simply not telling customers the truth, marketers violate the conversational maxim of quality in a concealed way. Not offering truthful information can erode trust, and can have negative knock-on effects for the firm, because customers who do not trust a brand are less likely to recommend it to others, less likely to return to the same brand, and more likely to develop brand hate (Lee et al. 2009; Bryson et al. 2013). However, this price communication technique is illegal in some countries and therefore is not considered in this work.

Price Endings and the Maxim of Quantity

The maxim of quantity requires conversation participants to give what is perceived by the customer as just the right amount of information: not too little and not too much. Marketers who manipulate price endings vary the amount of information they convey about the price by being very detailed or very general. For example, precise prices and charm prices give more exact and detailed information than the recipient may anticipate about the price by stating the number of cents to be paid (e.g., \$9.99 or \$7.86). The outcome of offering too much detailed information is that it causes customers to associate the figures presented with smaller numbers (assumption of the lowest price possible) or underestimate the price (e.g., left-digit effect). Conversely, marketers who use round prices offer only vague and approximate information about the price (e.g., \$100). As customers assume cooperative communication from marketers, this violation is not obvious to them (meaning they assume that the price figure constitutes the right amount of information for them to process), resulting in non-cooperative conversation conduct. To sum,

PCTs that manipulate the endings of prices reflect a concealed violation of the maxim of quantity, and this produces non-cooperative communication.

Research in other marketing domains has demonstrated that this form of non-cooperative conversation with customers might lead to certain relationship effects, such as loss of trust. Zhang and Schwarz (2011) show that the more granularity of numerical information (1 year versus 365 days) the more accurate and precise the information is perceived by the customer. However, this effect only holds when the customer assumes that the marketer is cooperative in the conversation. When the communicator's cooperativeness is called into question because the communicator either lacks knowledge or general trustworthiness, the positive effects are eliminated (Zhang and Schwarz 2013). Reece (1989) demonstrated how failing to give enough information to a conversational partner essentially makes the argument unconvincing because the listener will be left with doubts and insecurities about the information given. Applying Reece's argument to price communication, one could infer that marketers who fail to follow the maxim of quantity might create doubts in the quality and accuracy of information, which could, in turn, affect brand loyalty, satisfaction, and trust—all aspects of relationships (Christopher 2016).

Price Structure and the Maxim of Manner

The maxim of manner requires participants to make their contributions to the conversation as clear as needed. In price structure, the actual price is not clear, it is presented in a way that makes the price harder to process than just seeing the full price. For instance, it takes more cognitive effort to understand the full price when it is presented as \$109 product + \$16 shipping, rather than \$125 (partitioned pricing) or 25 x \$13 instead of \$325 (partial payment). As this unclear representation of the price is made purposely, but the intended meaning is concealed, we define this cluster as a concealed violation of the maxim of manner.

In defense of our argument, this form of non-cooperative conversation can lead to unexpected effects on the firm-customer relationship. According to Meyers-Levy et al. (1994) unclear and confusing messages lead to increased processing, but can also prompt feelings of frustration, anger, and helplessness, ultimately causing negative evaluations, as well as a tendency to withdraw from decision making and await clearer information (Schlesinger and Kiefer 2014). In sum, marketers who fail to adhere to the maxim of manner might increase frustration and anger. In the long run, these negative emotions can affect the firm's reputation, and the firm may lose customers.

Transparent Prices Violate no Maxims

One exception to the violation of conversational maxims within the cluster of price structure is transparent prices. Transparent prices are a form of PCT that violates no conversational maxim. In transparent pricing, the total and partial costs of a product, such as labor, materials, and distribution, are clearly shown to customers (Miao and Latilla 2007). We propose that by outlining all the costs that constitute the price, marketers are adhering to the maxim of quality, because they tell the truth; the maxim of relation, because the costs are relevant to the way the prices are structured; the maxim of manner, because the costs are stated more clearly than opaque prices, which do not disclose their components; and the maxim of quantity, because the right amount of information is provided.

Marketing research has demonstrated that transparent pricing is one of the only forms of price communication known to develop trust, through the itemized disclosure of information. This is in line with the concept of a cooperative conversation. Mohan, Buell and John (2016) emphasize that cost transparency can have a positive impact on purchase interest by establishing a personal relationship with the customer: “When firms communicate the effort that went into making a good, customers tend to value the product more.” These novel PCTs, rooted in a new approach to disclosure and customer involvement, indicate a desire and need for more straightforward and sustainable price communication in the market.

Added Cues and the Maxim of Relation

The maxim of relation/relevance requires speakers to only provide information that is perceived by the customer as relevant to the aims of the conversation. Providing price-unrelated information therefore violates the maxim of relation/relevance. Within the added cues cluster, marketers add numerical, visual, or verbal cues to prices (such as manipulating the position or color of the price, or adding prices of unrelated products to change customer perceptions). Verbal cues, such as using price-related words, often add unrelated verbal information to create mental associations with the price of the good or service. These could be common price abbreviations or some kind of text near the price (e.g., “low friction,” which, by association, could be read as “low price”). Further, reference prices (for example) often use unrelated reference points to anchor customer minds on a certain number. Visual cues, such as the position or color of the price, often use unrelated visual information to create associations with the price (e.g., order of products and prices, colors, etc.). By adding cues to the actual price, marketers create

associations with irrelevant information, which manipulate perceptions of price. Therefore, we define this cluster as a concealed violation of the maxim of relation.

Evidence for the effects of the violations of the maxim of relation has been given in other marketing contexts. When the maxim of relevance is violated in a concealed way it may also lead to specific downstream effects. Xu and Wyer (2010) find that message effectiveness suffers when the language of a product description does not fit the type of publication in which it appears (popular vs. professional magazine), making some of the information presented appear irrelevant. Further, Nisbett et al. (1981) demonstrated that people underuse diagnostic information when they were also given non-diagnostic information at the same time (Nisbett, Zukier and Lemley 1981; Tetlock, Lerner and Boettger 1996) thus leading to misunderstandings and frustration (Dulany and Hilton 1991). Applying these findings of non-cooperative conversation to price communication, one could infer that marketers who fail to follow the maxim of relation/relevance might cause misperceptions (e.g., about the quality of the product) and frustration for the customer in the long-term, resulting in harm to the customer-firm relationships.

Discussion

Our theoretical assessment demonstrates that when a firm obeys all conversational maxims such as in the example of transparent pricing, customers tend to value the product more because it implies honesty and builds trust to establish positive relationships. Conversely, violating conversational rules can be defined as less successful conversations, resulting in neither the marketer nor the customer achieving their goals in the long-run, and potentially harming marketer-customer relationships. Although often successful in achieving sales in the short-run, marketers can unintentionally create a non-cooperative image of a brand or firm when they employ PCTs that violate conversational maxims. We suggest that each maxim violation might impose its own effect on the firm-customer relationship.

In sum, beyond a non-cooperative image, there are specific downstream effects of non-cooperative price communication, such as reduced trust, negative attitudes, and harm to relationships between the customer and the firm. In the next section, we suggest possible solutions for marketers and future research directions based on the proposed framework.

AVENUES FOR FUTURE RESEARCH

We now highlight possible implications of non-cooperative price communication on firm-customer relationships. Our goal is to spur research and practice for a more nuanced understanding of customer reactions to the way prices and services are communicated—and thus improve the conversation and long-term relationships between customers and firms. Accordingly, our framework can help policy makers and marketers develop more customer-oriented ways of communicating prices.

Testing the Conceptual Model

Our theory suggests that non-cooperative communication of price will negatively affect the firm-customer relationships (Figure 1). More specifically, each pricing cluster violates one specific conversational maxim with unique consequences on the customer firm relationships. This theoretical model can be tested empirically in the future. Our framework may be seen as a somewhat simplistic representation of the effectiveness of PCTs. We believe that the simplicity of our framework allows for a unified perception of price communication. Future research can add complexity to our model by investigating the case of violating multiple conversational maxims simultaneously. Further, we only apply the rules of conversation theory to PCTs.

Researchers can explore the effect of adhering to conversation theory maxims in communicating various aspects of the product, beyond price. Comparing violations across various product aspects can reveal more advanced capacities of conversational cooperation in marketer-customer communication. Further research could survey customers and managers about their perceptions regarding the role of price in marketing communication and measure the effect of conversational cooperativeness of price communications on memory, attitudes, trust and other relational outcomes.

Focus on Long(er)-Term Outcomes of the Relationship

While price may be only one of many factors creating negative attitudes towards firms and brands, customers mention hidden fees, unclear pricing, and high prices as reasons for negative perceptions (marketwatch.com, cheatsheet.com, huffingtonpost.com). Negative past experience, and symbolic incongruity through false or unclear communication can lead to brand hate (Hegner et al. 2017). Anecdotal evidence shows that the most hated industries, such as the movie industry, the legal field, electricity and gas utilities, hotels, healthcare providers, and the

pharmaceuticals industry, are often criticized for their high and opaque prices. “High premiums (no one likes paying high premiums) slow claims processing and higher deductibles” are among the issues that upset customers (cbsnews.com). Brand hate is often triggered by corporate social irresponsibility, including failure of transparent communication (Kucuk 2016). Brand hate leads to brand avoidance, negative word-of-mouth, and brand retaliation (Hegner et al. 2017). Our review of PCTs suggests that focusing on short-term effects such as how these techniques can increase sales or boost purchase intentions may miss important long-term outcomes of price communication, such as the development of brand hate over time. Specifically, our framework implies that violations of conversational rules may lead to the erosion of successful customer - brand relationships.

As much of the research on the effects of price communication is based on experiments, which by design predominantly provide short-term results, future research on price communication may benefit from alternative empirical methods to capture effects on the firm-customer relationships that develop over time. For example, time-series analyses or periodical surveys may be more effective in revealing the possible long-term effects of price communication.

Obeying Conversational Rules May Enhance Customer Trust

We propose that when firms engage customers in a conversation, they establish rapport and trust. Trust is very important as one prominent antecedent of trust is a sense of cooperation, honesty, and the keeping of promises. Non-cooperative conversation between the firm and the customer can hinder customer trust in the firm. A subliminal but very effective way to achieve a sense of trust is through cooperative conversation: a conversation that observes certain rules and thus consistently meets the conversation partner’s expectations is able to build conversational trust, which transforms into relationship trust. Morgan and Hunt (1994) propose that communication is an antecedent of trust and should be helpful, useful, and easy. According to Gudykunst and Shapiro (1996), sufficient information can also lead to trust. Therefore, the most important components of trust are honesty and sufficiency of information (Larzelere and Huston 1980), or, in Grice’s terms, obeying the maxims of quality and quantity. Taken together, this literature suggests that conversationally cooperative PCTs will have a positive effect on brand trust, and therefore, play a significant role in the long-term success of a brand – as trust

contributes to brand loyalty, and positive brand loyalty is a good general indicator of healthy firm-customer relationships (Christopher 2016).

Future research can define and examine empirical factors that influence cooperation in price communication and its possible effects on trust toward the firm and, as a downstream effect, long-term sales. It would also be worth exploring whether there is a link between specific maxims and specific dependent variables. Future researchers could explore that cooperative price communication will not distract customers, but rather will make communication more cooperative, resulting in customer cooperation in return and relationships.

Differentiating Effects of Each Maxim Violation

While conversational maxim violations might have consequences on the firm-customer relationships in general, it is possible that each violation of one specific maxim may also have a unique consequence. Specifically, violating the maxim of quantity through price communication may create doubts and insecurities about the given product through lack of sufficient amount of information or too much confusing information (Zhang and Schwarz 2013). This, in turn, may negatively affect customer satisfaction and loyalty. The violation of the maxim of manner, however, may lead to frustration and anger towards the firm because of unclear and confusing messages (Meyers-Levy et al. 1994) as well as tendency to withdraw from decision making to await clearer information (Schlesinger and Kiefer 2014). Hence, marketers using PCTs that fail to adhere to the maxim of manner (using price structure) may influence overall satisfaction by increasing frustration and anger. The violation of the maxim of relation may cause misunderstandings and confusion about the quality of the product (Xu and Wyer 2010) through irrelevant distractions and noise. The result is a less convincing conversation (Dulany and Hilton 1991) that may cause brand switching. It seems crucial for firms to avoid the violation of the maxim of quality – because not giving truthful information may have the most severe negative effects on the relationship between the firm and the customer : including a complete loss of trust and brand hate (Lee et al. 2009; Bryson et al. 2013).

Researchers could empirically compare the different effects of each maxim violation in price communication. For example, this research could explore if the violation of the maxim of quality in price communication can lead to brand hate and distrust towards the brand or product, while the violation of the maxim of quantity in price communication can lead to lower perceived quality of the product and evoke dissatisfaction and avoidance behavior towards the brand.

Further, future research could test if the violation of the maxim of manner in price communication can lead to increased anger and frustration towards the brand. This in turn could influence negative word of mouth and brand dissatisfaction or avoidance; and this could cause less effective advertising of the product quality if the violations of the maxim of relation effect other marketing communication techniques.

Flouting of Conversational Maxims

In this work we described the effects of discrete violation of conversational maxims. According to conversation theory, however, when a conversational maxim is violated blatantly (or ‘flouted’), this does not impair the success of the conversation; in fact, it could improve the outcomes, because vivid violations, like humor or sarcasm, signal mutual understanding and contribution to the conversation that is beyond the literal meaning of the uttered words. Therefore, flouting conversational maxims in price communication might elicit positive reactions from customers. Hence, we suggest opening up a new area of research on price communication dedicated to developing PCTs that vividly flout (rather than discretely violate) conversational maxims with the intention of improving communication and relationships with customers.

One interesting example of flouting conversational maxims in price communication is the use of metaphor. A metaphor is a rhetorical tactic whereby the speaker refers to something by saying something else. For example, metaphor can provide clarity or identify hidden similarities between two ideas. One example for the use of metaphor in price communication was the depiction of cans of soft-drinks and other inexpensive items in a recent campaign by IKEA, implying that, just about everyone can afford a soft drink, so they can also afford home furnishings (Figure 2).

In the future, novel conversationally cooperative PCTs, such as ones that blatantly flout conversational maxims, could be developed and empirically tested to see whether they have a positive effect on customer attitudes and behavior.

Insert Figure 2 about here

Customers Perceive Violations as the Norm

Literature on the formation and creation of conventions and norms in conversation (Asher and Lascarides 2001; Lewis 2002) suggests they are formed in a gradual process of repeated use

and encounter. Thus, it is plausible that the repeated use (and occasional overexploitation) of such PCTs has turned them into a norm. Therefore, we suggest that some PCTs may have become so widely accepted that although they violate a conversational maxim, they are perceived as normative and customers have learned to derive the right meaning without sensing non-cooperativeness in the marketer. For example, 99-endings or charm prices have been in wide use since the early 20th century. Customers have been exposed to such PCTs for a long period of time. Hence, it is plausible that this type of price communication technique is perceived as normative and not as a conversational norm violation because of repeated exposure (Adams 1992).

Researchers could use different empirical methods to explore which violations are most commonly accepted in the context of pricing and how these ‘normative violations’ influence perceptions and attitudes.

Validation of the Pricing Clusters and Investigation of Moderators and Mediators of the Effect of Maxim Violations on Firm-Customer Relationships

Our framework helps reveal underlying mechanisms brought on by the violation of conversational maxims. There are also dispositional and situational factors that intervene in these effects. While many variables can undermine recipient perceptions of a communicator’s cooperativeness, two are particularly relevant in a marketing context: the communicator’s likely topic-specific knowledge and general trustworthiness (Brown 1987; Xu and Wyer 2010). It would be interesting to explore the similarities within the price communication clusters we have established. For instance, could a firm’s general trustworthiness positively influence all PCTs grouped in the cluster (e.g., of price endings while not having an effect on price cues)? Further, research on price communication has demonstrated that price plays different roles for the type of product e.g., hedonic versus utilitarian consumption. We suggest that the type of conversational maxim violation might also have a different effect depending on whether the product is hedonic or utilitarian.

Researchers could explore whether price communication clusters that are supposed to be related are actually correlated. In other words, it would be interesting to analyze the discriminant and convergent validity of the clusters we proposed. Further, researchers could develop one explanatory mechanism for each cluster and compare these clusters with one another.

Additionally, applying different moderators to a specific cluster might mitigate the negative effects of non-cooperative price communication. Future research could explore these ideas.

CONCLUSION

Marketers habitually view price as a negative aspect for the customer (Völckner, Rühle, and Spann 2012), and therefore seek to reduce its consequences via different types of price communication techniques. A common underlying belief across the PCT literature is that customers are unaware of change in the perception of prices (Morwitz et al. 1998). However, during the payment process, some customers may become aware of the true price, introspect about the PCTs, and eventually make conclusions about the intention of the firm (e.g., being manipulative). Recent actions by the British Office of Fair Trading such as new regulations against unfair pricing practices and unclear surcharges by airlines (guardian.co.uk) or financial institutions (www.justia.com) indicate a rising awareness of some potentially manipulative PCTs. The transactional view on these PCT practices stand in contrast to the paradigm of relationship marketing, where building trust and loyalty over time with customers is deemed essential to the success of firms (Berry 1995).

We bridge this gap and suggest that marketing communication can be seen as a conversational tool to influence relationships between the marketer and customer, where both parties ultimately take an active role (Schegloff 1997). Price communication is an essential part of the conversation in which information about a product or a brand is conveyed to customers (Christopher 2016). Both marketers and customers use this ‘conversation’ as a means to achieve their goals (marketing for marketers and consumption for customers). In our conceptual framework, we suggest that being non-cooperative in this conversation can bring unwanted outcomes in the long run. Specifically, failed conversations can result in impaired firm-customer relationships.

To conclude, given the trend towards new variations of more transparent and customer-oriented price communication (e.g., price transparency), there are opportunities for research and practice to evaluate and influence the potential effects of PCTs on firm-customer relationships. Our work aims to kick start this endeavor.

REFERENCES

- Asher, Nicholas, and Alex Lascarides (2001), "Indirect Speech Acts," *Synthese*, 128 (1-2), 183-228.
- Bagozzi, Richard P. (1995), "Reflections on Relationship Marketing in Consumer Markets," *Journal of the Academy of Marketing Science*, 23 (4), 272-7.
- Berry, Leonard L. (1995), "Relationship Marketing of Services – Growing Interest, Emerging Perspectives," *Journal of the Academy of Marketing Science*, 23 (4), 236-45.
- Bertini, Marco, and Luc Wathieu (2008), "Research Note – Attention Arousal Through Price Partitioning," *Marketing Science*, 27 (2), 236-46.
- Briones, Rowena L., Beth Kuch, Brooke Fisher Liu, and Yan Jin (2011), "Keeping Up with the Digital Age: How the American Red Cross Uses Social Media to Build Relationships," *Public Relations Review*, 37 (1), 37-43.
- Brown, Jennifer, Tanjim Hossain, and John Morgan (2010), "Shrouded Attributes and Information Suppression: Evidence from the Field," *The Quarterly Journal of Economics*, 125 (2), 859-76.
- Brown, Penelope, and Stephen C. Levinson (1987), *Politeness: Some Universals in Language Usage*, Cambridge, Cambridge University Press.
- Bryson, Douglas, Glyn Atwal, and Peter Hultén (2013), "Towards the Conceptualization of the Antecedents of Extreme Negative Affect towards Luxury Brands," *Qualitative Market Research: An International Journal*, 16 (4), 393-405.
- Burgoon, Judee K., and Lynn Aho (1982), "Three Field Experiments on the Effects of Violations of Conversational Distance," *Communications Monographs*, 49 (2), 71-88.
- Cai, Fengyan, Hao Shen, and Michael K. Hui (2012), "The Effect of Location on Price Estimation: Understanding Number-Location and Number-Order Associations," *Journal of Marketing Research*, 49 (5), 718-24.
- Carter, Robert E., and David J. Curry (2010), "Transparent Pricing: Theory, Tests, and Implications for Marketing Practice," *Journal of the Academy of Marketing Science*, 38 (6), 759-74.

- Chakravarti, Dipankar, Rajan Krish, Pallab Paul, and Joydeep Srivastava (2002), "Partitioned Presentation of Multicomponent Bundle Prices: Evaluation, Choice and Underlying Processing Effects," *Journal of Consumer Psychology*, 12 (3), 215-29.
- Choi, Jungsil, Yexin Jessica Li, Priyamvada Rangan, Promothesh Chatterjee, and Surendra N. Singh (2014), "The Odd-Ending Price Justification Effect: The Influence of Price-Endings on Hedonic and Utilitarian Consumption," *Journal of the Academy of Marketing Science*, 42 (5), 545-57.
- Christopher, Martin (2016), *Marketing: An Introductory Text*, Edinburgh, Macmillan International Higher Education.
- Coulter, Keith S., and Patricia A. Norberg (2009), "The Effects of Physical Distance between Regular and Sale Prices on Numerical Difference Perceptions," *Journal of Consumer Psychology*, 19 (2), 144-57.
- Coulter, Keith S., and Robin A. Coulter (2005), "Size Does Matter: The Effects of Magnitude Representation Congruency on Price Perceptions and Purchase Likelihood," *Journal of Consumer Psychology*, 15 (1), 64-76.
- Coulter, Keith S., Pilsik Choi, and Kent B. Monroe (2012), "Comma N'cents in Pricing: The Effects of Auditory Representation Encoding on Price Magnitude Perceptions," *Journal of Consumer Psychology*, 22 (3), 395-407.
- Dulany, Don E., and Denis J. Hilton. (1991), "Conversational Implicature, Conscious Representation, and the Conjunction Fallacy," *Social Cognition*, 9 (1), 85-110.
- Dwyer, F. Robert, Paul H. Schurr, and Sejo Oh (1987), "Developing Buyer-Seller Relationships," *Journal of Marketing*, 51 (2), 11-27.
- Gourville, John (1998), "Pennies-a-Day: The Effect of Temporal Reframing on Transaction Evaluation," *Journal of Consumer Research*, 24 (4), 395-403.
- Grice, Paul (1975), *Logic and Conversation*, New York, Academic Press, P. Cole and J. J. Morgan, 41-58.
- Gruenfeld, Deborah H., and Robert S. Wyer (1992), "Semantics and Pragmatics of Social Influence: How Affirmations and Denials Affect Beliefs in Referent Propositions," *Journal of Personality and Social Psychology*, 62 (1), 38-49.

- Gudykunst, William B., and Robin B. Shapiro (1996), "Communication in Everyday Interpersonal and Intergroup Encounters," *International Journal of Intercultural Relations*, 20 (1), 19-45.
- Harris, Kim, Steve Baron, and Julie Ratcliffe (1995), "Customers as Oral Participants in a Service Setting," *Journal of Services Marketing*, 9 (4), 64-76.
- Hegner, Sabrina M., Marc Fetscherin and Marianne van Delzen (2017), "Determinants and Outcomes of Brand Hate," *Journal of Product & Brand Management*, 26 (1), 13-25.
- Hibbard, Jonathan D., Nirmalya Kumar, and Louis W. Stern (2001), "Examining the Impact of Destructive Acts in Marketing Channel Relationships," *Journal of Marketing Research*, 38 (1), 45-61.
- Justia (2019), "Undisclosed Fees," <https://www.justia.com/consumer/deceptive-practices-and-fraud/undisclosed-fees/>
- Kasher, Asa (1982), "Gricean Inference Revisited", *Philosophica*, 29, (4), 25-44.
- Kotler, Philip (2000), *Marketing in the Twenty-First Century*. Marketing Management, 10th Edition, Millenium.
- Krishna, Aradhna, Richard Briesch, Donald Lehmann and Hong Yuan (2002), "A Meta-Analysis of the Impact of Price Presentation on Perceived Savings," *Journal of Retailing*, 78 (2), 101-18.
- Krizan, A. C., Patricia Merrier, Joyce P. Logan, and Karen Schneiter Williams (2008), *Business Communication Vol.7*, South-Western College Pub, 13-15.
- Kronrod, Ann, and Shai Danziger (2013), "Wii Will Rock You! The Use and Effect of Figurative Language in Consumer Reviews of Hedonic and Utilitarian Consumption," *Journal of Consumer Research*, 40 (4), 726-39.
- Kucuk, S. Umit (2016), "Antecedents of Brand Hate," *Brand Hate*, Palgrave Macmillan, Cham 49-86.
- Kumar, Viswanathan, and Denish Shah (2004), "Building and Sustaining Profitable Customer Loyalty for the 21st Century," *Journal of Retailing*, 80 (4), 317-29.
- Larzelere, Robert E., and Ted L. Huston (1980), "The Dyadic Trust Scale: Toward Understanding Interpersonal Trust in Close Relationships," *Journal of Marriage and The Family*, 595-604.

- Lee, Michael SW, Judith Motion, and Denise Conroy (2009), "Anti-Consumption and Brand Avoidance," *Journal of Business Research*, 62 (2), 169-80.
- Lee, Yih Hwai, and Cheng Yuen Han (2002), "Partitioned Pricing in Advertising: Effects on Brand and Retailer Attitudes," *Marketing Letters*, 13 (1), 27-40.
- Lemon, Katherine N., and Peter C. Verhoef (2016), "Understanding Customer Experience Throughout the Customer Journey," *Journal of Marketing*, 80 (6), 69-96.
- McAllister, Margaret, Beth Matarasso, Lisa B. Dixon and Carl Shepperd (2004), "Conversation Starters: Re-examining and Reconstructing First Encounters within the Therapeutic Relationship," *Journal of Psychiatric and Mental Health Nursing*, 11 (5), 575-82.
- McCann, C. Douglas, and Tory E. Higgins (1992), "Personal and Contextual Factors in Communication: A Review of the Communication Game", *Language, Interaction and Social Cognition*, Berlin, Vol. 1, ed. Gün R. Semin and Klaus Fiedler, Sage Publication, 144-72.
- Meyers-Levy, Joan, Therese A. Louie, and Mary T. Curren (1994), "How Does the Congruity of Brand Names Affect Evaluations of Brand Name Extensions?," *Journal of Applied Psychology*, 79 (1), 46-53.
- Miao, Li, and Anna S. Mattila (2007), "How and How Much to Reveal? The Effects of Price Transparency on Consumers' Price Perceptions," *Journal of Hospitality & Tourism Research*, 31 (4), 530-45.
- Mohan, Bhavya, Ryan W. Buell, and Leslie K. John (2016), "Lifting the Veil: The Benefits of Cost Transparency," Working Paper No. 15-017 .Harvard Business School, Boston.
- Morgan, Robert M., and Shelby D. Hunt (1994), "The Commitment-Trust Theory of Relationship Marketing," *Journal of Marketing*, 58 (3), 20-38.
- Morwitz, Vicki G., Eric A. Greenleaf, and Eric J. Johnson (1998), "Divide and Prosper: Consumers' Reactions to Partitioned Prices," *Journal of Marketing Research*, 35 (4), 453-63.
- Nisbett, Richard E., Henry Zukier, and Ronald E. Lemley (1981), "The Dilution Effect: Nondiagnostic Information Weakens the Implications of Diagnostic Information," *Cognitive Psychology*, 13 (2), 248-77.
- Nunes, Joseph C., and Peter Boatwright (2004), "Incidental Prices and Their Effect on Willingness to Pay," *Journal of Marketing Research*, 41 (4), 457-66.

- Levinson, Stephen E. (1986), "Continuously Variable Duration Hidden Markov Models for Automatic Speech Recognition," *Computer Speech & Language*, 1 (1), 29-45.
- Pansari, Anita, and Vera Kumar (2017), "Customer Engagement: The Construct, Antecedents, And Consequences," *Journal of the Academy of Marketing Science*, 45 (3), 294-311.
- Reece, William S. (1989), "Why Is the Bishops' Letter On the US Economy So Unconvincing?," *Journal of Business Ethics*, 8 (7), 553-60.
- Picchi, Aimeé (2015), "Guess Who Now Ranks with America's Most Hated Industries," <https://www.cbsnews.com/news/health-insurance-who-now-ranks-with-americas-most-hated-industries/>
- Ryals, Lynette (2005), "Making Customer Relationship Management Work: The Measurement and Profitable Management of Customer Relationships," *Journal of Marketing*, 69 (4), 252-61.
- Ryals, Lynette, and Hugh Wilson (2005), "Experimental methods in market research: From information to insight," *International Journal of Market Research*, 47(4), 345-364.
- Schegloff, Emanuel A. (1997), "Third Turn Repair," Amsterdam, *Studies in the Theory and History of Linguistic Science Series 4*, 31-40.
- Schindler, Robert M., and Lori S. Warren (1988), "Effect of Odd Pricing on Choice of Items from a Menu," *Advances in Consumer Research*. 15 (1,) 348-353
- Schindler, Robert M., and Thomas M. Kibarian (1996), "Increased Consumer Sales Response Though Use of 99-Ending Prices," *Journal of Retailing*, 72 (2), 187-99.
- Schlesinger, Len and Charls Kiefer (2014), "When Your Boss Gives Conflicting Messagers," <https://hbr.org/2014/11/when-your-boss-gives-you-conflicting-messages>
- Schwarz, Norbert (2014), *Cognition and Communication: Judgmental Biases, Research Methods, and the Logic of Conversation*, Psychology Press.
- Sheng, Shibin, Yeqing Bao, and Yue Pan (2007), "Partitioning or Bundling? Perceived Fairness of the Surcharge Makes A Difference," *Psychology & Marketing*, 24 (12), 1025-41.
- Srinivasan, Raji, and Christine Moorman (2005), "Strategic Firm Commitments and Rewards for Customer Relationship Management in Online Retailing," *Journal of Marketing*, 69 (4), 193-200.
- Stiving, Mark (2000), "Price-Endings When Prices Signal Quality," *Management Science*, 46 (12), 1617-29.

- Tetlock, Philip E., Jennifer S. Lerner, and Richard Boettger (1996), "The Dilution Effect: Judgmental Bias, Conversational Convention, or a Bit of Both?," *European Journal of Social Psychology*, 26 (6), 915-34.
- Thomas, Manoj, and Vicki Morwitz (2005), "Penny Wise and Pound Foolish: The Left-Digit Effect in Price Cognition," *Journal of Consumer Research*, 32 (1), 54-64.
- Thomas, Manoj, Daniel H. Simon, and Vrinda Kadiyali (2010), "The Price Precision Effect: Evidence from Laboratory and Market Data," *Marketing Science*, 29 (1), 175-90.
- Toncar, Mark, James M. Munch, and Michael Mayo (1994), "Using Conversation Theory to Investigate Conclusion-Drawing: Implications for Persuasion," *Advances in Consumer Research*, 21 (1), 343-347
- Topham, Gwyn (2014), "Ryanair And Easyjet Fined a Total €1m in Italy for Mis-Selling Travel Insurance," <https://www.theguardian.com/business/2014/feb/17/ryanair-easyjet-fined-travel-insurance>.
- Too, Leanne HY, Anne L. Souchon, and Peter C. Thirkell (2001), "Relationship Marketing and Customer Loyalty in a Retail Setting: A Dyadic Exploration," *Journal of Marketing Management*, 17 (3-4), 287-319.
- Vanhuele, Marc, Gilles Laurent, and Xavier Dreze (2006), "Consumers' Immediate Memory For Prices," *Journal of Consumer Research*, 33 (2), 163-72.
- Völckner, Franziska, Alexander Rühle, and Martin Spann (2012), "To Divide or Not to Divide? The Impact of Partitioned Pricing on the Informational and Sacrifice Effects of Price," *Marketing Letters*, 23 (3), 719-30.
- Wadhwa, Monica, and Kuangjie Zhang (2014), "This Number Just Feels Right: The Impact of Roundedness of Price Numbers on Product Evaluations," *Journal of Consumer Research*, 41 (5), 1172-85.
- Wieseke, Jan, Anika Kolberg, and Laura Marie Schons (2016), "Life Could Be So Easy: The Convenience Effect of Round Price Endings," *Journal of the Academy of Marketing Science*, 44 (4), 474-94.
- Wilkie, William L., Carl F. Mela, and Gregory T. Gundlach (1998), "Does "Bait and Switch" Really Benefit Consumers?," *Marketing Science*, 17 (3), 273-82.
- Wilson, David T (1995), "An Integrated Model of Buyer-Seller Relationships," *Journal of the Academy of Marketing Science*, 23 (4), 335-45.

- Wilson, Deirdre, and Dan Sperber (1991), *Inference and Implicature*, Blackwell. Oxford University Press.
- Xia, Lan, Kent B. Monroe, and Jennifer L. Cox (2004), "The Price Is Unfair! A Conceptual Framework of Price Fairness Perceptions," *Journal of Marketing*, 68 (4), 1-15.
- Xu, Alison Jing, and Robert S. Wyer Jr. (2010), "Puffery in Advertisements: The Effects of Media Context, Communication Norms, and Consumer Knowledge," *Journal of Consumer Research*, 37 (2), 329-43.
- Zhang, Y. Charles, and Norbert Schwarz (2011), "How and Why 1 Year Differs From 365 Days: A Conversational Logic Analysis Of Inferences from The Granularity of Quantitative Expressions," *Journal of Consumer Research*, 39 (2), 248-59.
- Zhang, Y. Charles, and Norbert Schwarz (2013), "The Power Of Precise Numbers: A Conversational Logic Analysis," *Journal of Experimental Social Psychology*, 49 (5), 944-6.

TABLE 1: CLUSTERS OF PRICE COMMUNICATION TECHNIQUES

Price Communication	Cluster	Description of Price Communication	Examples of Mechanisms	Examples of DVs	Examples of References
Charm Prices	Price Endings	Prices that end in 9, 99, or 95 often reducing the left-most digit by one (e.g., instead of \$2, using \$1,99)	Image effect, regulatory focus theory, anchoring, signaling, numerical cognition,	Preference, purchase, ad efficacy, perceptions of offer,	Baumgartner and Steiner 2007; Choi, Li, Rangan, Chatterjee and Singh 2014; Choi, Lee and Ji 2012; Manning and Sprott 2009; Schindler 2001; Stiving and Winer 1997; Stiving 2000; Thomas and Morwitz 2005; Schindler and Kibarian 1996
Precise Prices		Prices that offer the exact specific amount including the digits after the coma (e.g., \$1349,34)	Triple-code model (visual, auditory, analog), precision effect, numerical processing, anchoring-and-adjustment heuristic,	Perceptions of offer, willingness to pay,	Coulter, Choi and Monroe 2012; Janiszewski and Uy 2008; Thomas, Simon and Kadiyali 2010
Round Prices		Prices that offer a non-exact or approximate round number (e.g., \$100)	Processing fluency, cognitive accessibility, convenience,	Evaluation process, purchase (intentions), sales, attractiveness of price	Lynn, Flynn and Helion 2013; Stiving 2000; Wadhwa and Zhang 2014; Wieseke, Kolberg and Schons 2016; Yan and Pena-Marin 2017
Partitioned Prices	Price Structure	Split a product's price into two mandatory parts (e.g., the base price of a mail-order product and the surcharge for shipping and handling) instead of charging one all-inclusive price	Cognitive psychology of attention, mental accounting, reference dependence, anchoring and adjustment, processing effort, risk aversion, regret aversion, signaling,	Demand, purchase (intentions), perceptions of offer, brand image, attitudes towards brand, order size, profit, willingness to pay, recall, attention payed,	Anagol and Kim 2012; Balasubramanian, Bhattacharya and Krishnan 2014; Bertini and Wathieu 2008; Brown, Hossain and Morgan 2010; Chakravarti, Krish, Paul and Srivastava 2002; Cheema 2008; Ellison 2005; Fruchter, Gerstner and Dobson 2011; Gabaix and Laibson 2006; Hamilton and Srivastava 2008; Heath, Chatterjee and France 1995; Lee and Han 2002; Lee, Choi and Li 2014; Leider and Şahin 2014; Lewis, Singh and Fay 2006; Morwitz, Greenleaf and Johnson 1998; Völckner, Rühle and Spann 2012
Temporal Framing		Reframing of price into its daily	Comparison Retrieval And	Evaluations of offer & compliance,	Bambauer-Sachse and Grewal 2011; Gourville 1998, 1999 & 2003

		equivalence (e.g., \$0.87/day)	Transaction evaluation,	price perception,	
Transparent Prices		Prices that reveal of information about the constellation of the total price (e.g., including production-, transportation-, service- cost and profit margin)	Inequity aversion & procedural justice, search costs,	Willingness to pay, consumer utility, price changes,	Carter and Curry 2010; Rossi and Chintagunta 2016
Numerical Cues	Price Cues	A comparable price to give hints and create a connection to the actual price offered (e.g., decoy offer, auction starting offer)	Selective accessibility, information processing, attribution, dual-processing, loss aversion, signaling, assimilation/contrast theory, anchoring, priming, endowment effect,	Willingness to pay, purchase (intention), perceptions of offer, bidding price, search behavior, brand attitudes,	Adaval and Wyer Jr 2011; Barone, Manning and Miniard 2004; Biswas and Blair 1991; Dayaratna and Kannan 2012; Della, Monroe and McGinnis 1981; Grewal, Monroe and Krishnan 1998; Howard and Kerin 2006; Kalyanaram and Winer 1995; Kamins, Dreze and Folkes 2004; Kan, Lichtenstein, Grant and Janiszewski 2013; Liefeld and Heslop 1985; Nunes and Boatwright 2004; Urbany, Bearden and Weilbaker 1988; Weaver and Frederick 2012; Winer 1986
Visual Cues		Using visual representation to influence the perception of the price (e.g., displaying the price in small font sizes, using colors to imply discounts, removing commas \$1,499 vs. \$1499; removing currency symbols)	Processing and encoding, congruency theory, anchoring, processing fluency,	Perceptions of offer, purchase (intention), evaluations of offer, choice,	Alba, Broniarczyk, Shimp and Urbany 1994; Bagchi and Davis 2012; Biswas, Bhowmick, Guha and Grewal 2013; Cai, Shen and Hui 2012; Coulter and Coulter 2005 & 2010; Coulter and Norberg 2009; Suk, Lee and Lichtenstein 2012
Verbal Cues		Verbal length of the price, pronunciation speed, and price abbreviation habits or language near the price e.g., using words that are congruent with a (small) magnitude	Numerical cognition processes, encoding, architecture of working memory,	Price memory, recall ability,	Coulter, Choi and Monroe 2012; Coulter and Grewal 2014; Vanhuele, Laurent and Dreze 2006

TABLE 2: VIOLATIONS OF CONVERSATIONAL MAXIMS IN PRICE COMMUNICATION

Price Communication Information		Violations of Conversational Maxims					Explanation of Maxim Violation
		None	Quality (Truthful Info)	Quantity (Right In Quantity)	Manner (Clear Info, No Ambiguity)	Relation (Relevant Info)	
Clusters	PCT	No Violation	Concealed	Concealed	Concealed	Concealed	
Price Endings	Charm Pricing			X			Offers too much detailed information causing consumers to use heuristics to estimate the price
	Precise Pricing			X			Offers too much detailed information causing consumers to use associate precise numbers with small numbers
	Round Prices			X			Offers too little information to evaluate the true value of the product
Price Structure	Partitioned Pricing				X		Gives unclear information about the true value because consumers tend to focus on the base price not the final price.
	Temporal Framing				X		Transmits unclear information because it makes it harder to process the full amount of the price.
	Transparency	X					Showing total and partial constellations of costs, offer sufficient relevant clear and truthful information to the consumer suggesting

			openness, honesty and trust. By unpacking the costs, the marketer explains everything they did for the customer in putting that product or service together.
Price Cues	Numerical Cues	X	Often uses unrelated reference points to anchor the mind of the consumer on a certain number
	Visual Cues	X	Often uses unrelated visual cues to create associations between the visual info and price (order of product and price, colored.)
	Verbal Cues	X	Often uses unrelated verbal cues to create associations between the verbal info and price (e.g., price abbreviation habits or language near the price)

FIGURE 1: THEORETICAL MODEL

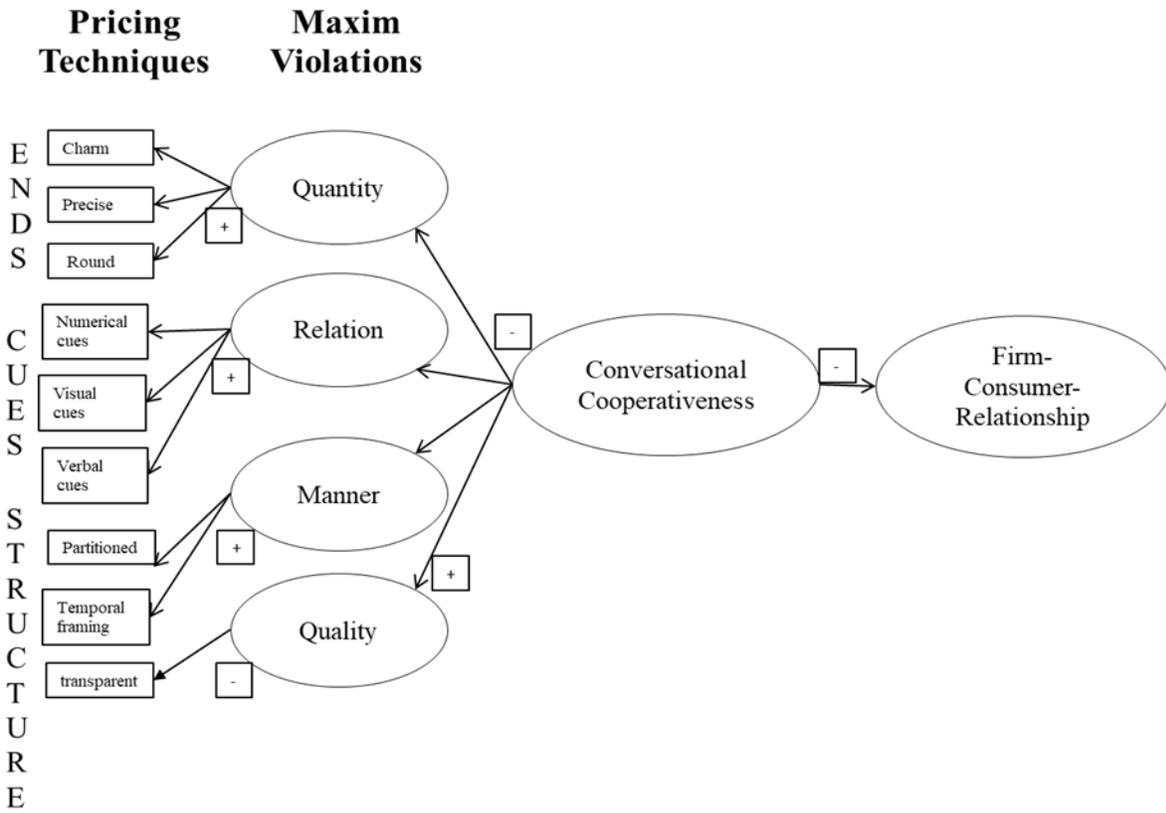


FIGURE 2: EXAMPLE OF A VIVID VIOLATION OF A CONVERSATIONAL MAXIM



WEB APPENDIX: REFERENCES IN TABLE 1

- Adaval, Rashmi, and Robert S. Wyer Jr (2011), “Conscious and Nonconscious Comparisons with Price Anchors: Effects on Willingness to Pay for Related and Unrelated Products,” *Journal of Marketing Research*, 48 (2), 355-65.
- Alba, Joseph W., S. M. Broniarczyk, T. A. Shimp and J.E. Urbany (1994), “The Influence of Prior Beliefs, Frequency Cues, and Magnitude Cues on Consumers' Perceptions of Comparative Price Data,” *Journal of Consumer Research*, 21 (2), 219-35.
- Anagol, Santosh, and Hugh Hoikwang Kim (2012), “The Impact of Shrouded Fees: Evidence from a Natural Experiment in the Indian Mutual Funds Market,” *American Economic Review*, 102 (1), 576-93.
- Balasubramanian, Sridhar, Shantanu Bhattacharya, and Vish V. Krishnan (2015), “Pricing Information Goods: A Strategic Analysis of The Selling and Pay-Per-Use Mechanisms,” *Marketing Science*, 34 (2), 218-34.
- Bambauer-Sachse, Silke, and Dhruv Grewal (2011), “Temporal Reframing Of Prices: When Is It Beneficial?,” *Journal of Retailing*, 87 (2), 156-65.
- Barone, Michael J., Kenneth C. Manning, and Paul W. Miniard (2004), “Consumer Response to Retailers’ Use of Partially Comparative Pricing,” *Journal of Marketing*, 68 (3), 37-47.
- Baumgartner, Bernhard, and Winfried J. Steiner (2007), “Are Consumers Heterogeneous in Their Preferences for Odd and Even Prices? Findings from a Choice-Based Conjoint Study,” *International Journal of Research in Marketing*, 24 (4), 312-23.
- Bertini, Marco, and Luc Wathieu (2008), “Research Note – Attention Arousal through Price Partitioning,” *Marketing Science*, 27 (2), 236-46.
- Biswas, Abhijit, and Edward A. Blair (1991), “Contextual Effects of Reference Prices in Retail Advertisements,” *Journal of Marketing*, 55 (3), 1-12.
- Biswas, Abhijit, S. Bhowmick, A. Guha, and D. Grewal (2013), “Consumer Evaluations of Sale Prices: Role of the Subtraction Principle,” *Journal of Marketing*, 77 (4), 49-66.
- Brown, Jennifer, Tanjim Hossain, and John Morgan (2010), “Shrouded Attributes and Information Suppression: Evidence from The Field,” *The Quarterly Journal of Economics*, 125 (2), 859-76.

- Cai, Fengyan, Hao Shen, and Michael K. Hui (2012), "The Effect of Location on Price Estimation: Understanding Number-Location and Number-Order Associations," *Journal of Marketing Research*, 49 (5), 718-24.
- Carter, Robert E., and David J. Curry (2010), "Transparent Pricing: Theory, Tests, and Implications for Marketing Practice," *Journal of the Academy of Marketing Science*, 38 (6), 759-74.
- Chakravarti, Dipankar, Rajan Krish, Pallab Paul, and Joydeep Srivastava (2002), "Partitioned Presentation of Multicomponent Bundle Prices: Evaluation, Choice and Underlying Processing Effects," *Journal of Consumer Psychology*, 12 (3), 215-29.
- Cheema, Amar (2008), "Surcharges and Seller Reputation," *Journal of Consumer Research*, 35 (1), 167-77.
- Choi, Jungsil, Yexin Jessica Li, Priyamvada Rangan, Promothesh Chatterjee, and Surendra N. Singh (2014), "The Odd-Ending Price Justification Effect: The Influence of Price-Endings on Hedonic and Utilitarian Consumption," *Journal of the Academy of Marketing Science*, 42 (5), 545-57.
- Coulter, Keith S., and Robin A. Coulter (2005), "Size Does Matter: The Effects of Magnitude Representation Congruency on Price Perceptions and Purchase Likelihood," *Journal of Consumer Psychology*, 15 (1), 64-76.
- Coulter, Keith S., and Robin A. Coulter (2010), "Small Sounds, Big Deals: Phonetic Symbolism Effects in Pricing," *Journal of Consumer Research*, 37 (2), 315-28.
- Coulter, Keith S., and Dhruv Grewal (2014), "Name-Letters and Birthday-Numbers: Implicit Egotism Effects in Pricing," *Journal of Marketing*, 78 (3), 102-20.
- Coulter, Keith S., and Patricia A. Norberg (2009), "The Effects of Physical Distance Between Regular and Sale Prices on Numerical Difference Perceptions," *Journal of Consumer Psychology*, 19 (2), 144-57.
- Coulter, Keith S., Pilsik Choi, and Kent B. Monroe (2012), "Comma N'cents in Pricing: The Effects of Auditory Representation Encoding on Price Magnitude Perceptions," *Journal of Consumer Psychology*, 22 (3), 395-407.
- Davis, Derick F., Rajesh Bagchi, and Lauren G. Block (2016), "Alliteration Alters: Phonetic Overlap in Promotional Messages Influences Evaluations and Choice," *Journal of Retailing*, 92 (1), 1-12.

- Dayaratna, K. D., & Kannan, P. K. (2012). "A Mathematical Reformulation of the Reference Price," *Marketing Letters*, 23 (3), 839-49.
- Della Bitta, Albert J., Kent B. Monroe, and John M. McGinnis (1981), "Consumer Perceptions of Comparative Price Advertisements," *Journal of Marketing Research*, 18 (4), 416-27.
- Ellison, G. (2005). "A Model of Add-On Pricing," *The Quarterly Journal of Economics*, 120 (2), 585-37.
- Fruchter, Gila E., Eitan Gerstner, and Paul W. Dobson (2011), "Fee or Free? How Much to Add on for an Add-On," *Marketing Letters*, 22 (1), 65-78.
- Gabaix, Xavier, and David Laibson (2006), "Shrouded Attributes, Consumer Myopia, and Information Suppression in Competitive Markets," *The Quarterly Journal of Economics*, 121 (2), 505-40.
- Gourville, John T. (1999), "The Effect of Implicit Versus Explicit Comparisons on Temporal Pricing Claims," *Marketing Letters*, 10 (2), 113-24.
- Gourville, John T. (2003). "The Effects of Monetary Magnitude and Level of Aggregation on the Temporal Framing of Price," *Marketing Letters*, 14 (2), 125-35.
- Grewal, Dhruv, Kent B. Monroe, and Ramayya Krishnan (1998), "The Effects of Price-Comparison Advertising on Buyers' Perceptions of Acquisition Value, Transaction Value, and Behavioral Intentions," *Journal of Marketing*, 62 (2), 46-59.
- Hamilton, Rebecca W., and Joydeep Srivastava (2008), "When 2 + 2 Is Not the Same as 1 + 3: Variations in Price Sensitivity Across Components of Partitioned Prices," *Journal of Marketing Research*, 45 (4), 450-61.
- Heath, Timothy B., Subimal Chatterjee, and Karen Russo France (1995), "Mental Accounting and Changes In Price: The Frame Dependence of Reference Dependence," *Journal of Consumer Research*, 22 (1), 90-97.
- Howard, Daniel J., and Roger A. Kerin (2006), "Broadening the Scope of Reference Price Advertising Research: A Field Study of Consumer Shopping Involvement," *Journal of Marketing*, 70 (4), 185-204.
- Janiszewski, Chris, and Dan Uy (2008), "Precision of the Anchor Influences the Amount of Adjustment," *Psychological Science*, 19 (2), 121-27.
- Kalyanaram, Gurusurthy, and Russell S. Winer (1995), "Empirical Generalizations from Reference Price Research," *Marketing Science*, 14 (3), 161-69.

- Kamins, Michael A., Xavier Dreze, and Valerie S. Folkes (2004), "Effects of Seller-Supplied Prices on Buyers' Product Evaluations: Reference Prices in an Internet Auction Context," *Journal of Consumer Research*, 30 (4), 622-28.
- Kan, Christina, Donald R. Lichtenstein, Susan Jung Grant and Chris Janiszewski (2013), "Strengthening the Influence of Advertised Reference Prices Through Information Priming," *Journal of Consumer Research*, 40 (6), 1078-96.
- Lee, Kiljae, Jungsil Choi, and Yexin J. Li (2014), "Regulatory Focus as a Predictor of Attitudes toward Partitioned and Combined Pricing," *Journal of Consumer Psychology*, 24 (3), 355-62.
- Lee, Yih Hwai, and Cheng Yuen Han (2002), "Partitioned Pricing in Advertising: Effects on Brand and Retailer Attitudes," *Marketing Letters*, 13 (1), 27-40.
- Leider, Stephen, and Özge Şahin (2014), "Contracts, Biases, and Consumption of Access Services," *Management Science*, 60 (9), 2198-22.
- Lewis, Michael, Vishal Singh, and Scott Fay (2006), "An Empirical Study of the Impact of Nonlinear Shipping and Handling Fees on Purchase Incidence and Expenditure Decisions," *Marketing Science*, 25 (1), 51-64.
- Liefeld, John, and Louise A. Heslop (1985), "Reference Prices and Deception in Newspaper Advertising," *Journal of Consumer Research*, 11 (4), 868-76.
- Lynn, Michael, Sean Masaki Flynn, and Chelsea Helion (2013), "Do Consumers Prefer Round Prices? Evidence from Pay-What-You-Want Decisions and Self-Pumped Gasoline Purchases," *Journal of Economic Psychology*, 36, 96-102.
- Manning, Kenneth C., and David E. Sprott (2009), "Price Endings, Left-Digit Effects, and Choice," *Journal of Consumer Research*, 36 (2), 328-35.
- Morwitz, Vicki G., Eric A. Greenleaf, and Eric J. Johnson (1998), "Divide and Prosper: Consumers' Reactions to Partitioned Prices," *Journal of Marketing Research*, 35 (4), 453-63.
- Nunes, Joseph C., and Peter Boatwright (2004), "Incidental Prices and Their Effect on Willingness to Pay," *Journal of Marketing Research*, 41 (4), 457-66.
- Rossi, Federico, and Pradeep K. Chintagunta (2016), "Price Transparency and Retail Prices: Evidence from Fuel Price Signs in the Italian Highway System," *Journal of Marketing Research*, 53 (3), 407-23.

- Schindler, Robert M., and Thomas M. Kibarian (1996), "Increased Consumer Sales Response though Use of 99-Ending Prices," *Journal of Retailing*, 72 (2), 187-99.
- Stiving, Mark (2000), "Price-Endings When Prices Signal Quality," *Management Science*, 46 (12), 1617-29.
- Stiving, Mark, and Russell S. Winer (1997), "An Empirical Analysis of Price Endings with Scanner Data," *Journal of Consumer Research*, 24 (1), 57-67.
- Suk, Kwanho, Jiheon Lee, and Donald R. Lichtenstein (2012), "The Influence of Price Presentation Order on Consumer Choice," *Journal of Marketing Research*, 49 (5), 708-17.
- Thomas, Manoj, and Vicki Morwitz (2005), "Penny Wise and Pound Foolish: The Left-Digit Effect in Price Cognition," *Journal of Consumer Research*, 32 (1), 54-64.
- Thomas, Manoj, Daniel H. Simon, and Vrinda Kadiyali (2010), "The Price Precision Effect: Evidence from Laboratory and Market Data," *Marketing Science*, 29 (1), 175-90.
- Vanhuele, Marc, Gilles Laurent, and Xavier Dreze (2006), "Consumers' Immediate Memory For Prices," *Journal of Consumer Research*, 33 (2), 163-72.
- Völckner, Franziska, Alexander Rühle, and Martin Spann (2012), "To divide or Not to Divide? The Impact of Partitioned Pricing on the Informational and Sacrifice Effects of Price," *Marketing Letters*, 23 (3), 719-30.
- Wadhwa, Monica, and Kuangjie Zhang (2014), "This Number Just Feels Right: The Impact of Roundedness of Price Numbers on Product Evaluations," *Journal of Consumer Research*, 41 (5), 1172-85.
- Wieseke, Jan, Anika Kolberg, and Laura Marie Schons (2016), "Life Could Be So Easy: The Convenience Effect of Round Price Endings," *Journal of the Academy of Marketing Science*, 44(4), 474-94.
- Winer, Russell S. (1986), "A Reference Price Model of Brand Choice for Frequently Purchased Products," *Journal of Consumer Research*, 13 (2), 250-56.
- Yan, Dengfeng, and Jorge Pena-Marin (2017), "Round Off the Bargaining: The Effects of Offer Roundness on Willingness to Accept," *Journal of Consumer Research*, 44 (2), 381-95.