

**RESEARCH GRANTS COUNCIL
COMPETITIVE RESEARCH FUNDING SCHEMES FOR
THE LOCAL SELF-FINANCING DEGREE SECTOR**

FACULTY DEVELOPMENT SCHEME (FDS)

Completion Report

(for completed projects only)

<p><u>Submission Deadlines:</u></p> <ol style="list-style-type: none"> 1. Auditor's report with unspent balance, if any: within <u>six</u> months of the approved project completion date. 2. Completion report: within <u>12</u> months of the approved project completion date.
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Part A: The Project and Investigator(s)

1. Project Title

Is the Same Price Always Fair? Consumer Attitudes and Behaviour towards Reporting

Suspected Price-Fixing Activities in Hong Kong

2. Investigator(s) and Academic Department(s) / Unit(s) Involved

Research Team	Name / Post	Unit / Department / Institution
Principal Investigator	Dr WONG Phoebe Wai-sum	Senior Lecturer / Division of Business and Hospitality Management / School of Professional Education and Executive Development, The Hong Kong Polytechnic University (PolyU SPEED)
Co-Investigator 1	Dr VANHARANTA Markus	Assistant Professor / Department of Marketing / University College Dublin, Ireland
Co-Investigator 2	Prof CHAN Kimmy Wa	Professor / Department of Marketing / Hong Kong Baptist University
Others	Mr WONG Tony Man-ho	Research Assistant / PolyU SPEED [Funded under this FDS Project]

3. Project Duration

	Original	Revised	Date of RGC / Institution Approval (must be quoted)
Project Start Date	01/01/2020	NA	NA
Project Completion Date	31/12/2021	30/06/2022	07/10/2021
Duration (<i>in month</i>)	24 months	30 months	07/10/2021
Deadline for Submission of Completion Report	31/12/2022	30/06/2023	07/10/2021

4.4 Please attach photo(s) of acknowledgement of RGC-funded facilities / equipment.

Part B: The Final Report

5. Project Objectives

5.1 Objectives as per the original application

Combining 3 separate methods, the objectives of this study are:

Theory Building:

Inspire a new line of empirical consumer marketing research in relation to price-fixing:

□ **Experiment:** Using controlled experiments, we will investigate Hong Kong consumers':

- Ability to make price-fixing inferences and establish meaningful boundary conditions.
- Perceptions of price fairness in relation to price-fixing.
- Behavioural response to price-fixing, including propensity to report suspected price-fixing activities to authorities.

□ **Survey**: Using the Theory of Planned Behaviour (TPB), we will investigate consumer attitudes and intentions to report suspected price-fixing activities. As innovations to the TPB, we will expand the model by including the perception of price fairness and civic consciousness as additional variables. We will incorporate several recent theoretical extensions to the TPB to eliminate the intention-behaviour gap.

Government Policy:

□ **Focus group study**: An additional qualitative study will be used to fine-tune a nudging intervention to guide how Hong Kong consumers can be best nudged to report suspected activities of illicit price-fixing. Our earlier experiment and survey results will guide our nudging intervention (e.g., Thaler and Sunstein 2008), pinpointing the most effective leverage points. This allows the intervention to address specific motivational and behavioural barriers.

□ Input to teaching: the findings will be discussed with students in course subjects, such as Business Marketing, Global Marketing and Consumer Behaviour.

□ By understanding current barriers and boundary conditions related to consumer motivation and action, we can design new educational guidelines with seminars, workshops and promotional materials to better avoid these illicit practices in the future. Also, our findings may be used to enhance ethical and civic consciousness training in secondary and tertiary programmes.

5.2 Revised objectives

Date of approval from the RGC: N/A

Reasons for the change: N/A

5.3 Realisation of the objectives

(Maximum 1 page; please state how and to what extent the project objectives have been achieved; give reasons for under-achievements and outline attempts to overcome problems, if any)

The project was the first empirical study investigating consumer behaviour in relation to price-fixing. In line with the Hong Kong government strategy, this research seeks to find factors influencing their intention to report suspected price-fixing activities and strategies that consumers offset unfair pricing situations. To examine this timely issue, this project was based on 3 separate research methods, combining an experiment, an online survey, and a qualitative focus group investigation.

Our experiment (**Objective 1**) will seek to understand causality in relation to the consumer's reporting of price-fixing, including consumer construal of price-fixing, price-fairness, and behavioural responses. In addition, our survey (**Objective 2**) extended the Theory of Planned Behaviour (TPB) to investigate consumer attitudes in relation and behaviour in relation to price-fixing. Finally, focus group interviews (**Objective 3**) were used to gain insights into consumers' counterstrategies when facing unfair pricing issues.

The ultimate long-term objective of this study is a reduction in price-fixing activities in Hong Kong, resulting in lower consumer prices and more choices for consumers. Also, there will be educational implications (**Objective 4 & Objective 5**) in relation to both secondary and tertiary education. In addition, we seek to stimulate a new line of consumer marketing research in relation to price-fixing.

5.4 Summary of objectives addressed to date

Objectives (as per 5.1/5.2 above)	Addressed (please tick)	Percentage Achieved (please estimate)
<p>1. Theory Building</p> <p>Experiment: Using controlled experiments, we will investigate Hong Kong consumers':</p> <p>a. Ability to make price-fixing inferences, and establish meaningful boundary conditions.</p> <p>b. Perceptions of price fairness in relation to price-fixing.</p> <p>c. Behavioural response to price-fixing, including the propensity to report suspected price-fixing activities to authorities.</p>	√	100%
<p>2. Theory Building</p> <p>Survey: Using the Theory of Planned Behaviour (TPB), we will investigate consumer attitudes and intentions to report suspected price-fixing activities. As innovations to the TPB, we will expand the model by including the perception of price fairness and civic consciousness as additional variables. We will incorporate several recent theoretical extensions to the TPB to eliminate the intention-behaviour gap.</p>	√	100%
<p>3. Focus group study: An additional qualitative study will be used to fine-tune a nudging intervention to guide how Hong Kong consumers can be best nudged to report suspected activities of illicit price-fixing. Our earlier experiment and survey results will guide our nudging intervention (e.g., Thaler and Sunstein 2008), pinpointing the most effective leverage points. This allows the intervention to address specific motivational and behavioural barriers.</p>	√	100%
<p>4. Input to teaching: the findings will be discussed with students in course subjects, such as Business Marketing, Global Marketing and Consumer Behaviour.</p>	√	100%
<p>5. By understanding current barriers and boundary conditions related consumer motivation and action, we can design new educational guidelines with seminars, workshops, and promotional materials to better avoid these illicit practices in the future. Also, our findings may be used to enhance ethical and civic consciousness training in secondary and tertiary programmes.</p>	√	100%

6. Research Outcome

6.1 Major findings and research outcome

(Maximum 1 page; please make reference to Part C where necessary)

Price-fixing, an anti-competitive activity by firms, raises consumer prices, limits consumer choices, and violates the law. To examine this timely issue, this project investigated consumer attitudes and intentions towards reporting suspected price-fixing activities using 3 separate research methods, combining an experiment, a survey and a qualitative focus group investigation.

Two experimental studies were conducted to examine the effect of price uniformity (uniform/ nonuniform) and price pattern over time (change/ no change) on the perception of price unfairness and third-party complaint intention. This pricing behaviour by retailers increases consumers' intention to report suspected price-fixing activities to authorities, i.e., third-party reporting. The findings show that consumers perceive prices as unfair when retailers sell products at a uniform price and simultaneously change the price.

Based on an *online survey*, we also investigated consumer intention to report suspected price-fixing cartels in the context of a cross-cultural comparison between Hong Kong and the United Kingdom. The study results suggest that consumer intention to report suspected price-fixing cartels differs significantly between Hong Kong and the UK. The impact of attitude and subjective norm were significantly stronger for Hong Kong respondents than UK respondents. The results also show that perceived behavioural control has a significantly stronger effect on UK respondents than on HK respondents.

In the qualitative *focus group interviews*, we employed the framework of neutralisation theory to examine consumer willingness to come forward to file a complaint of suspected price-fixing cases to authorities and the justifications provided by participants for their reluctance. Focus group interviews were conducted with twenty-three participants. The findings revealed that although the participants agreed that price-fixing is unethical and unjust, they were reluctant to complain about suspected price-fixing activities to authorities.

A portion of the above findings was presented at **3 conferences** in AIBSEAR, AMA Winter and ANZMAC, respectively. The focus group paper was submitted to the *Journal of Consumer Behaviour* and is in the status of "Revise & Resubmit". The paper with the experimental design was submitted to the *International Journal of Consumer Studies* and is currently under review. The cross-cultural paper is the preparation of finalising stage for submission to the *Journal of Business Research*.

6.2 Potential for further development of the research and the proposed course of action (*Maximum half a page*)

Overall, our contribution to this project has significant theoretical and practical implications. In the experimental studies, previous studies showed that consumers find different prices at competing retailers unfair (Vaidyanathan & Aggarwal, 2003) and that price uniformity is perceived as fair (Chen and Cui, 2013). However, as a counter-intuitive finding, our paper posits that a uniform price at competing retailers may also be perceived as unfair due to consumers' suspicion of price-fixing. The importance of price-fixing suggests that new types of reference points may be needed to evaluate price fairness. More specifically, we establish that consumers may perceive uniform prices (between competitors) and simultaneous price increases (between competitors) as unfair, increasing consumer intention to report price-fixing to authorities.

With online survey data collected from Hong Kong and the UK, representing Eastern and Western cultures, our findings show significant cross-cultural factors influencing consumer intention to suspected price-fixing activities. In addition, the qualitative study of focus group interviews makes theoretical contributions to uncover five neutralisation techniques used by the participants to reconcile their negative feelings. Three new counterstrategies have not been explored or discussed in previous studies. This project contributes to a new inquiry about consumer responses to price-fixing. It has implications for public policy while providing empirical evidence legitimising the strategy of involving consumers in anti-price-fixing efforts

7. Layman's Summary

(Describe in layman's language the nature, significance and value of the research project, in no more than 200 words)

Despite the enormous negative economic influence on consumer well-being, price-fixing remains a largely unexplored area in consumer research. Consumer research has paid relatively little attention to price-fixing, in contrast to more extensive research conducted in the fields of business-to-business marketing (Gupta et al., 2010; Pressey and Vanharanta, 2016), industrial economics (Levenstein and Suslow, 2006), and accounting (Chan, Troutman & O'Bryan 2000). Nevertheless, consumer attitudes towards price-fixing are of great significance to public policy. Consumer reports of corporate misconduct are often the first step that triggers investigations of price-fixing (Haracoglou 2007), whereby governmental efforts to counteract price-fixing are often based on consumers' voluntary reporting of suspected cases.

This project contributes to the existing research in consumer marketing by providing further empirical evidence of the role of cultural differences in consumer reporting intention in the online survey. In addition, the focus group study contributes to our understanding of consumer behaviour regarding price-fixing by identifying three novel neutralisation techniques relevant in the context of price-fixing, in addition to previously documented neutralisation techniques that have been well-documented in consumer literature. As a public policy implication, this new understanding results in new communications tactics to stimulate consumer participation in efforts to combat price-fixing.

Part C: Research Output

8. Peer-Reviewed Journal Publication(s) Arising Directly From This Research Project

(Please attach a copy of the publication and/or the letter of acceptance if not yet submitted in the previous progress report(s). All listed publications must acknowledge RGC's funding support by quoting the specific grant reference.)

The Latest Status of Publications				Author(s) (denote the corresponding author with an asterisk*)	Title and Journal / Book (with the volume, pages and other necessary publishing details specified)	Submitted to RGC (indicate the year ending of the relevant progress report)	Attached to this Report (Yes or No)	Acknowledged the Support of RGC (Yes or No)	Accessible from the Institutional Repository (Yes or No)
Year of Publication	Year of Acceptance (For paper accepted but not yet published)	Under Review	Under Preparation (optional)						
		√ (Revise & Resubmit)		WONG, Phoebe*, VANHARANTA, Markus, WAN, Calvin, LO, Kelvin	"Not me" Consumer Justifications for Not Reporting Suspected Price-fixing Activities: Neutralization Techniques & Counter-strategies"	No	Yes [Appendix I]	Yes	Yes
		√ (Revise & Resubmit)		WONG, Phoebe*, VANHARANTA, Markus, NG, Peggy, WONG, Tony	Is Uniform Pricing by Competing Retailers Perceived as Fair? Examining the Relationship between the Perception of Price Unfairness and Third-Party Complaint Intention	No	Yes [Appendix II]	Yes	Yes
			√	WONG, Phoebe*, VANHARANTA, Markus, CHAN, Kimmy	Consumers' Intention to Report Suspected Price-fixing Cartels: a Cross-Cultural Comparison between Hong Kong and the UK	No	Yes [Appendix III]	Yes	No

9. Recognized International Conference(s) In Which Paper(s) Related To This Research Project Was / Were Delivered

(Please attach a copy of each conference abstract)

Month / Year / Place	Title	Conference Name	Submitted to RGC <i>(indicate the year ending of the relevant progress report)</i>	Attached to this Report <i>(Yes or No)</i>	Acknowledged the Support of RGC <i>(Yes or No)</i>	Accessible from the Institutional Repository <i>(Yes or No)</i>
12/2020/ Hong Kong	Consumer Attitudes towards Reporting Suspected Price-Fixing Activities in Hong Kong	AIBSEAR Conference	N/A	Yes [Appendix IV]	Yes	Yes
02/2021/ Hong Kong	Mapping Consumer Perception on Price Fairness and Intention to Report Suspected Price-fixing Activities in Hong Kong	AMA Winter Conference (USA)	N/A	Yes [Appendix V]	Yes	Yes
12/2021/ Hong Kong	Suspected Price-fixing Activities and Coping Strategies	ANZMAC Conference	N/A	Yes [Appendix VI]	Yes	Yes

10. Whether Research Experience And New Knowledge Has Been Transferred / Has Contributed To Teaching And Learning

(Please elaborate)

The Competition Commission, the complaint process, the research framework (Slide no.: 17 – 19) and the educational leaflet were introduced to final-year Business students in the subject of BHMS 4286 Business & Relationship Marketing. [Appendix VII & VIII].

11. Student(s) Trained

(Please attach a copy of the title page of the thesis)

Name	Degree Registered for	Date of Registration	Date of Thesis Submission / Graduation
N/A			

12. Other Impact

(e.g. award of patents or prizes, collaboration with other research institutions, technology transfer, teaching enhancement, etc.)

The consequence of price-fixing and price-unfairness and some of the findings of the studies were shared with the final-year Business students in the subject of BHMS 4286 Business & Relationship Marketing followed by discussions with students on how to manage channel members in relation to avoiding price-fixing.

13. Statistics on Research Outputs

	Peer-reviewed Journal Publications	Conference Papers	Scholarly Books, Monographs and Chapters	Patents Awarded	Other Research Outputs (please specify)	
No. of outputs arising directly from this research project	3*	3	N/A	N/A	Type	No.
					N/A	

*3 papers are the *Journal of Consumer Behaviour* (Revise & Resubmit), *International Journal of Consumer Studies* (Revise & Resubmit), and in preparation for the *Journal of Business Research* respectively.

14. Public Access Of Completion Report

(Please specify the information, if any, that cannot be provided for public access and give the reasons.)

Information that Cannot Be Provided for Public Access	Reasons
NA	