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# Reactions to A Price Increase: What Makes it Seem Fair

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**Practical implications** - Power affects the impact of different industries on price fairness judgments. When an industry is more powerful, as in the case of healthcare insurance, consumers are sensitized to fairness concerns. They are, however, reluctant to react because the alternatives are not good. The result may be capitulation: purchasing the product despite being angry. The result however, may also be explosive anger.

**Originality/value** - Despite the limitations of the research instruments, the Focus groups did provide clear support for the basic fairness model. How people react to unfairness appears to be universal.

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## I. INTRODUCTION

Price fairness is of growing interest to marketing researchers (e.g., Bolton, Warlop and Alba 2003; Campbell 1999; Maxwell 2002; Xia, Monroe and Cox 2004, Mayer and Avila, 2011). It is also of obvious interest to managers since profit is a direct function of price, and being able to increase a price depends on whether the increase is perceived to be fair. Earlier research (Maxwell 1995) concluded that price increases will generally be considered unfair because they are detrimental to the consumer's utility, but seller's can make an increase seem fair by having a socially acceptable justification. This conclusion is depicted in the Basic Fairness Model of Rutte and Messick (1995).

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## II. BASIC FAIRNESS MODEL

The Rutte and Messick (1995) integrated model of fairness is a generalized model of how judgments of fairness are triggered and acted upon. The contention is that an adverse outcome causes a person to feel distress, which motivates a concern for fairness. If the action is judged fair, then the outcome is reevaluated and accepted. The recipient of the adverse outcome "may experience disappointment, but not injustice" (Rutte and Messick 1995, p. 242). In contrast, if the action is judged unfair, the person will feel intensified stress and will contemplated retaliatory actions.

The purpose of this study is to determine if the Basic Fairness Model (Rutte and Messick 1995) is supported across cultures in Brazil, Germany and the United States. Each of these countries is the largest economic power in their respective continents. Each has a different cultural and economic system. Corroborating evidence from all three would provide strong support for the model. Differences would suggest other factors that should be considered.

## III. STRUCTURED FOCUS GROUPS

To test the model across cultures, structured focus groups were conducted in Germany, Brazil and the United States. The focus group method was considered the most appropriate method to gain insights in customers' feelings and perceptions (Morgan 1996).

Four sessions were conducted in each country. There were between five and eight participants in each group, evenly divided between males and females. To maintain sampling equivalence, all groups were composed of business students. To minimize the problems of translation equivalence, each group was presented with the same structured set of short scenarios developed by Mayer and Avila (2004).

1. You learn that Service Company "X" has increased the price for its services by 20%.
2. How does that make you feel?
3. Does it make a difference that Company "X" says the reasons for the price increase were: [a.] cost increases by suppliers, [2.] a new salary agreement with employees.
4. A newspaper reports that the profits of Company "X" were very good last year and should increase in 2005. Does that make a difference?

5. Another newspaper reports that Company "X" raised its prices after the government announced that it intends to set price controls on the kinds of services "X" offers.
6. An important economic analyst said on ABC yesterday that Company "X" increased prices together with all the other companies of the sector, an act that could be considered the forming of a cartel.
7. Company "X" was a health insurer.
8. Sorry... that's wrong. Company "X" was really a gym center.
9. Wrong again...Company "X" was actually a telecommunications provider.
10. All the focus group sessions were both videotaped and manually recorded. The following is a summary of the responses.

#### IV. FOCUS GROUP RESPONSES

*Outcome Evaluation:* There was consensus that a 20% increase is a large amount. In all three countries, the question of the base price was an issue: a 20% increase on 100 is a major concern; a 20% increase on 1 is minor.

*Brazil:* "My first impression is that a 20% increase is unfair." "Right off the bat, 20% seems quite high and unfair." "How much do I spend on this service? 20% of how much? Another R\$10, for example, for an internet provider or a newspaper subscription is irrelevant."

*Germany:* "20% is a lot of money!" "I think this raise in prices of 20% is really high." "20% is too much!" "That's a raise of one-fifth! That's quite considerable." "Depends on the base price... an increase from 2€ to 2.40€ or 200€ to 240€."

*United States:* "20% is a ridiculous increase." "The 20% is what's upsetting me." "20% is a lot for an increase. It's a big percentage." "20% of what? I mean, if it's 20% of \$1, I don't mind paying." "But if it's an expensive purchase, like clothing or shoes for \$100, then I'd probably be much less likely to pay an extra 20%."

*Initial Distress:* The initial reaction to a 20% price increase in all three countries was obviously unpleasant surprise. The response ranged from annoyance to outrage.

*Brazil:* "My emotional feeling about the price increase is 'I'm getting screwed.' If it's an essential service, it's a total rip-off." "I feel cheated."

*Germany:* "I'd surely be annoyed." "My first reaction would still be an act of defiance and annoyance" "At first you are angry" "My first thought was that is outrageous."

*United States:* "I would be annoyed." "I wouldn't like it either." "I'm probably frustrated." "I'm not happy about

it." "I'd feel like I'm being gouged." "It's probably wrong to gouge people."

*Direct Path to Retribution:* The Basic Fairness Model of Rutte and Messick (1995) depicts a fairness judgment as intervening between distress and the reaction to that distress. However, in the Focus groups, a possible direct path was suggested. Particularly with the German respondents, anger at the price increase appeared strong enough to lead them directly to thoughts of retribution.

*Germany:* "20% is too high no matter which reason is given." "I would leave immediately! I always choose the cheapest one." "I make the decision because of the price and not because of the reasons." "I think that most people do not care about the reasons." "I see that in my own family when there is a tax increase -- price increase, whatever -- the justification does not matter. They are simply annoyed." "They think it's unjust."

*Justification:* Although some respondents, particularly in Germany, were angry enough not even to consider whether the price increase was justified, others demonstrated an intense need for some sort of justification.

*Brazil:* "All this could be minimized if there were an explanation that could reduce that feeling of unfairness." "What is the reason?" "I stop and ask myself what the reason for the increase is this time." "I'd want an explanation from the company." "If they had a justification... perhaps I would accept it."

*Germany:* "They should tell us the reason." "Why did he do that? It raises interest." "I ask myself why. Why does he require 20% more now?" "I'd ask why the company has raised its prices." "That has to be justified." "I'm interested in the justification for the price increases." "If I understand the reason, I will be more disposed to pay."

*United States:* "My first reaction would be 'Why?'" "Why are they increasing their prices by 20%?" "I'd want to know a reason." "I think (a reason) helps to justify the price increases. When I know why the price has increased, I don't mind as much." "I'd look for more information first, then I'd make a decision."

The literature suggests two basic justifications for actions: Distributive Justice (Deutsch 1985) and Procedural Justice (Thibaut and Walker 1975). Distributive Justice pertains to the judged fairness of the outcome, which in this case is that the price has been increased by 20%. Procedural Justice pertains to the judged fairness of the process leading to that outcome.

*Distribution Justice is divided into two parts:* "Reciprocity" or "equity" applies to the equality of the exchange: "tit for tat" or "quid pro quo." "Equality" refers to the similarity of outputs for different people. The

overriding justification for a price increase, according to the respondents in all focus groups, was equity: the equivalence of what they got in return for the money they had to give up. If the price was increased 20%, they wanted the service to improve 20%.

*Brazil:* "Whenever I see an increase, I think about having a benefit in return." "Has the company tried to offer me something more?" "People see that 20% increase as unfair because they don't see any improvement in the service."

*Germany:* "If you pay more, you would like to get better performance." "If there is a quality increase connected with the increase of prices, in this case you have a trade-off." "If the service would change, it would be OK." "I'd ask myself if the quality has changed or remained constant. If it has changed, a raise might be justified."

*United States:* "I'd want to know what I'm getting for the 20%." "If they raise the prices they should improve the service." "If you saw that they gave more value for your money, gave you more services, it would be justifiable."

The concern for equality of distribution has primarily been researched as it pertains to wages. At least in the focus groups, it did not seem to apply to consumer exchange. No one in Brazil and only one or two in Germany and the United States mentioned it.

*Germany:* "I know for example that she is paying less than I am. Until now I have not been too annoyed about paying a bit more than she does. I haven't really cared about it. Maybe I would if they increased."

*United States:* "It's just not right that someone who never goes (to a doctor) has to pay the same premiums as someone who goes all the time."

Procedural Justice pertains to the judged fairness of the process: is the method by which the price was determined a fair process? When a seller takes an action that is disadvantageous to the buyer, a reason is expected. One reason that has been recognized as a justification for a price increase is an increase in costs (Okun 1981; Kahneman, Knetsch and Thaler 1986). Recently, however, sellers have been under pressure to increase efficiency rather than to increase price. So, although increased prices are justified when uncontrollable costs like oil price increase, costs were not automatically accepted as a legitimate reason by Focus group participants. They wanted to know whether the company's competitors are also increasing their prices.

*Brazil:* "If it's because of costs, a situation where they have to raise prices, then the increase is fair." "If I hear that a company is increasing a price, but the competition isn't, then I see it as an injustice." "The feeling of unfairness is bigger if the company increases the price by itself. It's either being inefficient or unfair."

*Germany:* It has to be comprehensible why the rise in prices is taking place." "Especially external causes like government regulators or taxes are comprehensible." "If I can understand it, then it's not all that bad." "I'd also need more exact information." "It is important to have transparency to see the sense behind things."

*United States:* "I would understand why the cost goes up because of the suppliers; it's out of your hands sometimes." "I think its understandable if the price of a commodity increases, like coffee beans, for everyone to increase their prices. Or for airlines: if their fuel cost increased, then I'd be okay with the price increases." In all three countries it appears that management today is held responsible for managing their suppliers. If suppliers' costs increase, management is expected either to find another supplier or to share the burden of the cost increase with their customers:

*Brazil:* "I'm more likely to think that the reasons they gave for the increase are more due to their inefficiency and that of the sector. Don't they have the means to absorb such costs?" "To be fair, for example, if the costs for the company have increased 10% and it is passing 5% on to me, then it's fair – the company is reducing its profit margin a bit and sharing the cost with me."

*Germany:* "You have to consider if (the price increase is) caused by inefficiencies or by a raise in resource prices." "Suppliers are always reason number one when it comes to a raise in prices. For the average consumer that is barely believable." "They should reduce their margin and share the burden."

*United States:* "I feel like that's their cost of business. Why are they necessarily passing the cost onto me? Have they taken steps to gain efficiencies on their end?" "I would think they should be a better negotiator with your suppliers if possible. I mean only to a certain extent they can do that."

An increase in employee wages is more acceptable reason for a price increase in Germany and the United States than in Brazil. This is understandable in Germany since the country is known for the social concern that underlies its economy. The reason in the United States may be that the Focus group participants themselves identified with employees

*Brazil:* "Fair reason? "New salary agreement? I doubt that it was over 6%. I really doubt it". "I'd question justifications like that. It doesn't hold water. Too fuzzy. Has there been a strike? "Has there been any negotiations with the union? How much was personnel's increase? 30%? 40%?"

*Germany:* "A wage settlement would be perfectly understandable." "Wage settlements are a very good thing in Germany. They secure working conditions and workers' rights." "This is better than having jobs shifted to other countries." "(A wage increase) is fairer



than (a cost increase). It's more understandable knowing that the employees profit."

*United States:* "Definitely paying people more, giving them more benefits justifies (a price increase) for me." "I wouldn't mind the cost increase so much if it were in fact for legitimate reasons such that they do give more money to their employees." "If I'm going to pay more to fly because employees are actually going to get what they deserve, I think that's fine."

*Self-Serving Bias to Fairness:* As Messick and Sentis (1983) showed, fairness has a self-serving bias. For example, whether equity or equality is preferred depends on which rule will most benefit the individual. Whether a process is found procedurally fair depends on whether it is advantageous to the individual. The same bias was clear in all the respondents' view of fairness. First they asked themselves if the price increase affected them or not. If the price increase did not affect them, then most of them did not care, even if it adversely affected others.

*Brazil:* "If you (the company) had an increase from your suppliers, that's your problem. I don't have anything to do with it! Negotiate better! I'm not interested in that." "They may have had the cost of inputs increased, I don't care. I'm not satisfied with my own salary."

*Germany:* "I would ask whether this really concerns me. If I was not directly concerned, why should I be angry about it?" "It's not my problem if the service provider has problems with a cost increase of its suppliers." "As a consumer I am kind of selfish. I am a consumer and not a shareholder or associate of the company. I want to have lower prices or constant prices and I don't care if I make the profits of a company smaller because of this."

*United States:* "My first reaction would be that this (increase of costs) has nothing to do with me." "I think that the same thing goes for the salary agreement, it's not our problem as the consumer." "I'm mean, frankly, I don't really care about the reasons Company 'X' has listed; I just ask myself what am I getting in return. I mean you can come up with any reason you want, but I ultimately need to pay more money, so I'm going to ask what am I getting."

*Heightened Distress:* When the Focus group participants were given reasons for the price increase which they thought were unfair – reasons like increasing profits or increasing the price prior to government price controls – their emotional outburst ranged from increased annoyance to vituperation. The strength of this emotional outburst was clearly greater than that which had resulted from the price increase by itself.

*Brazil:* "Every reason presented before was nonsense. I think I'd get really annoyed." "Screw that!" "I'd get so pissed off! The company is obviously taking advantage of the situation." "The feeling of unfairness

grows. I'm even more upset." "If you felt uneasy about it before, now you're really angry."

*Germany:* "There's no justification for this." "The companies think that customers would be so stupid." "I would react emotionally and definitely change suppliers." "I'd feel a little annoyed... well, extremely annoyed." "I would go overboard! It's brashness!" "That's not fair." "I would be so angry! Absolute brashness! Boldness on top!" "I'd distrust them. I would not accept that."

*United States:* "Personally I am really outraged." "I'm upset. I feel totally manipulated at this point." "I'd feel betrayed by the company." "You feel like you've lost trust to the company a little bit." "This smells of greed." "Price gouging." "As a consumer you feel basically disemboweled as a result of this."

*Reaction:* There are various actions consumers can take when a price increase is judged unfair. One is simply to do nothing as predicted by the Status Quo Bias (Samuelson and Zeckhauser 1988). Or they can complain or search for alternatives so they can switch suppliers. Brazilians appear to feel that complaining will have no impact. Germans also seem to search and switch more often than complain. Americans are more vocal in their complaints.

*Do nothing:* Participants in all three countries recognized that switching has a cost in both time and effort as well as risk. They also recognized the benefit of established relationships.

*Brazil:* "At first (with a price increase), they'll just use the phone less. Then, they'll forget. They'll get used to it. You'll have to swallow it and won't stop using it." "If you like the place, I think you won't leave." "Maybe I'd stick to it if it were close to my place, friends, etc." "Knowing people sometimes makes you stay."

*Germany:* "The question is how difficult is switching companies?" "I think that often you do not think about it too much and just accept things the way they are." "I believe that it is not only the reasons that are important, but also the relationship with this service company." "If you have a good relationship with your expert, more things work. If I have a good relationship, I'll maybe accept a price increase."

*United States:* "With products you get set in your ways. You expect prices to increase. So if it's a product I like, more than likely I'm going to keep buying it. Whether that upsets me or not, I'm still going to keep buying it." "There's a relationship." "I guess if you trust the person, then maybe that's worth more than a slight increase."

*Stop using:* Whether the participants would stop using a service due to a 20% price increase depended on how easy it is to stop.

*Brazil:* "(With a gym), it's easy - leave. Go walk on the beach." "I'd take up another type of [physical] activity."

"If I can, I'll stop using the service." "I think that some people will go without health insurance just to avoid the price increase. They'll take the risk."

*Germany:* "I would cut back on consumption, if I can't avoid it completely." "It depends on the service. Is it a service that I can avoid? Or is it not possible to avoid because I've become too accustomed to it already. If it's a habit, you can't avoid it."

*United States:* "If you don't want to pay for a gym you can go to the park and just run. The gym is no priority." "Probably I wouldn't go as often for sure. I'm on budget." "I take fewer cabs (since cab fares increased); I take the subway more."

*Complain:* Americans tend to be a complaining society, but, strangely, making a complaint was not mentioned in any of the American Focus groups. The Brazilian groups, in contrast, made it clear that Brazilians have recently learned to complain. The Germans, on the other hand, felt that complaining was inappropriate. They believe that companies would not listen and would only be annoyed.

*Brazil:* "We (Brazilians) have gotten less tolerant, more demanding about the quality of services. Everything has to work OK." "When a problem comes up, the client complains sooner." "Even if you take a ride or reduce consumption, you're still angry. You'll keep on complaining."

*Germany:* "From my family nobody complained about (worsening of insurance quality) because it doesn't get you anywhere. I still know from others that some customers did complain and that the company was annoyed if there are always people calling and complaining." "When you call there, there's only this person who takes the call, but I feel you only get on their nerves." "I would call if there was a special department for complaints, otherwise it doesn't make sense to me calling just anyone and being angry with that person."

*Search:* Searching requires considerable effort, particularly when the purchase is a complex one like health insurance. All the Focus group participants at least claimed that they would search for alternatives when a price is increased 20%.

*Brazil:* "You can also look for a substitute; something else that'll do the trick." "You have to see if there is competition and if it has also raised its prices. Then you do research on the market." "You get pissed off, but look for something else."

*Germany:* "I'd search for alternatives." "Perhaps I wouldn't switch instantly, but I would look for alternatives." "What are the other companies doing?" "I think it's a jungle of rates. If I have enough time to look at it thoroughly, I would change to a better offer."

*United States:* "I guess that if the product's a commodity, you can try to find something else." "You'd look around for the same products and services now

that information is so available to all of us. There's no product that's so unique that you cannot find anything else like it." "I'd do more research. It's hard to just react to that not knowing what the rest of the industry's doing."

*Power:* Power in the marketplace is determined by the availability of alternatives. Due to the number of alternatives, the three services – healthcare insurance, gyms, and mobile phone – were seen to have varying power, with healthcare insurance having the most and gyms having the least. The amount of power sensitized the consumers to issues of fairness. The Focus group participants in all countries objected particularly to monopolies because of the imbalance of power. They objected to having no choice of alternatives because then they were stuck. That made them madder.

*Brazil:* "Companies can negotiate with each other, and you as a consumer, you can bargain, but you have less bargaining power." "You feel like you're at the mercy of the government, the electric company and the regulating agency." "That's totally unfair. You don't have a choice." "I get madder when I don't have any choice." "I think it's unfair because to be without a health plan is critical in certain situations." "They're messing with very sensitive things: illness, old people. So there'll always be a feeling of injustice."

*Germany:* "If all companies increase their price, you are forced to accept that." "That is totally crazy! You cannot do anything! You have no power. You can say I accept or not use the service any more."

*United States:* "I think with health insurance the price increases are less justified. With Starbucks, people have a choice, (but) people need health insurance." "In the case of a monopoly like the MTA (public transportation group), you're in kind of a lose-lose situation because you have no choice." "You feel you have no control and you're mad about it."

*Government Controls:* Participants from the three countries had very different feelings about the role of government in prices. In Brazil, the participants both counted on the government to control inflation and distrusted the government because of corruption. In Germany, after WWII, the country embraced the free market economy along with a fierce belief that the government should not interfere in prices. Participants from the United States were somewhere in between.

*Brazil:* "(Price increases are fair if) the government decided on a surcharge." "Increases based on such contracts are fair. They may not seem fair to the consumer, but they are foreseen in the contract made with the government." "The problem is that when the government gets involved it seems that you are being duped. It makes it much harder to believe that the increase is really needed."

*Germany:* "The government in general is not allowed to set prices. It would not be a free market

economy." "I would rather accept high profits (than a price increase in anticipation of government price controls)." "I'd hate the government for (price controls) because I reject any price controls even if they are supposed to be for the consumers' sake." "Cartel controls do make sense, price controls do not."

United States: "What if there were price controls? What if the government was going to set the price on doing your hair?" "Then we need to write to the government because that's just something we can't have." "I wouldn't have any sort of opinion about it, to tell you the truth. I'd be like, 'Oh, price controls, government...' It wouldn't affect me in any way." "I hope that one day the government is going to put some control on these (healthcare insurance) prices because they increase from year to year consistently."

Trust in System: As with government control, Brazil and Germany are at opposite ends of the pole when it comes to trust in the economic system. Americans, again, are somewhere in the middle, although trust in business in the United States is at an all time low: 66% of respondents to a survey by Yankelovich (2004) believe that "if the opportunity arises, most businesses will take advantage of the public if they feel they are not likely to be found out." American's trust in financial institutions and markets has dropped significantly since 2008 economic crisis. The Chicago Booth/Kellogg School Financial Trust Index (2012) finds that only 23 percent of Americans say they trust the country's financial system. Such cynicism is even more evident in Brazil where consumers start with a prior distrust of sellers' actions. When the possibility of a cartel was suggested, the Brazilian participants tended to believe it. The Germans did not.

Brazil: "You tend to think that the company is taking advantage of you right off the bat." "It's a conspiracy - everybody is against you." "They're lying!" "In this case (of a possible cartel), my feeling of unfairness is reduced...it's just a cruel world." "It's the same as hearing on the radio that a federal Representative has been accused of stealing, corruption. Do I get upset? Yes. Is it new? No." "In Brazil we have a lot of difficulty in judging that sort of thing. There's very little transparency in relation to investors or consumers. In more developed economies there are rules about the information passed on to people who are used to having these kinds of information. In Brazil we are too passive and we forget easily."

Germany: "It's pretty clear that there could be an agreement of some kind, but it could also be that costs have risen for all of them, for example because of their suppliers. Then it would be logical that everybody increases prices." "I would think it's because of a changed environment, not because of an agreement between companies." "But as a consumer, what can you do if all of them raise prices?" "I think we can be

quite relaxed in Europe concerning this because our laws and regulations are quite strict. If something like this happens, the national and EU public authorities would be there right away and would check it. I personally would rely upon their evaluation." "I'd think twice about switching, even if a state company insured me. It's a matter of trust."

United States: "Being in the States, they're not allowed to have a cartel here. So I probably wouldn't care because I know that the governments going to back me up." "I would expect the government to do something." "I think I'd be suspicious of just about any of those (reasons for a price increase) if the raise was 20%. I'd feel like their cost increase is probably 8%, and they're using that to just go and jack up our prices to like 20%" "Sounds like a line they might be feeding you to try to pad their pockets." "They're not always doing what they say they're doing."

Satisfaction: Supporting the German's prior trust in the system is their prior satisfaction. This confirms research by Homburg, Hoyer and Koschate (2005) showing that satisfaction moderates the effect of judged unfairness. Brazilians, however, reported only dissatisfaction. The subject of satisfaction did not come up in any of the American groups.

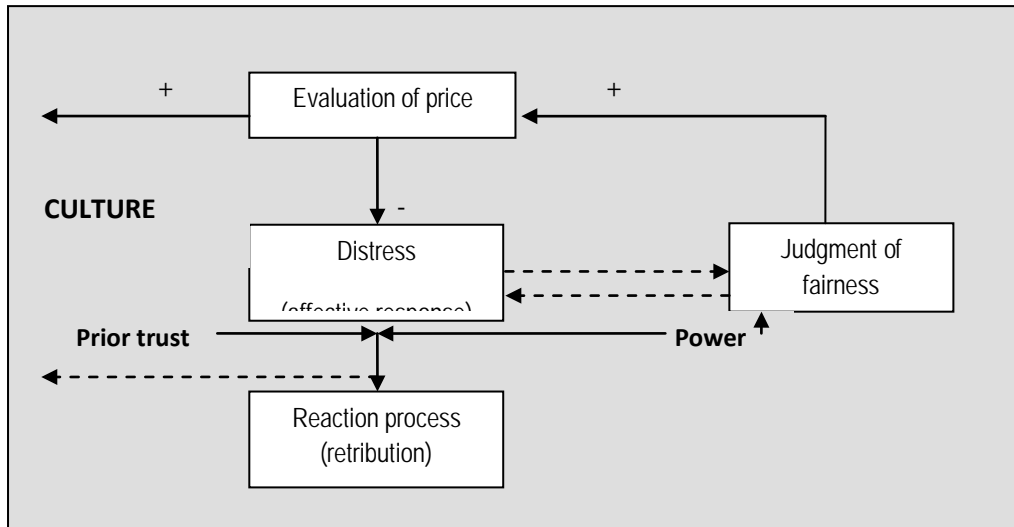
Brazil: "The problem is that you're already dissatisfied with the service of this sector. "It upsets me more when I am already dissatisfied with the service: "I'm already paying too much for this awful service and on top of that it is going to go up?"

Germany: "If I'm satisfied, I would perhaps accept (a price increase)." "My satisfaction with the company is decisive. It's about how nice people are, how fair the company is. If I've had good experiences, I would not change." "When a certain satisfaction prevails, you overlook an increase."

## V. MANAGERIAL IMPLICATIONS AND APPLICATIONS

The Focus groups generally supported the basic fairness model of Rutte and Messick (1995), although with a few modifications and additions (see Figure 1). First, the reciprocal paths between "distress" and "judgment of fairness" have been dotted to indicate that in some cases, the path from "distress" may lead directly to "retribution." In addition, the influence of culture, power and trust have been incorporated. Culture affects understandings of appropriate behavior. For example, Germans, a collectivist culture, think complaining only causes conflict; Brazilians, an emerging consumer society, take pride in their new-learned ability to complain. Part of a culture is the role of the government: what it is expected to do, what it is authorized to do. In this study, there was a stark contrast between the Germans trust in their government and the Brazilians lack of trust. Americans seemed to trust the government to step in when necessary.

Figure 1 : Basic Fairness Model (Rutte & Messick 1995) Applied to Prices



Trust affects how information is interpreted. In low trust societies, consumers are prepared to think the worst. When consumers are satisfied with a service, however, they are prepared to give the seller the benefit of the doubt. When they have established a relationship with sellers, they develop trust even if they started with none. The positive effect of good relationships was apparent in all three countries.

Power affects the impact of different industries on price fairness judgments. When an industry is more powerful, as in the case of healthcare insurance, consumers are sensitized to fairness concerns. They are, however, reluctant to react because the alternatives are not good. The result may be capitulation: purchasing the product despite being angry as indicated by the dotted arrow. The result however, may also be explosive anger. This was demonstrated by the fury of consumers who were charged outrageous prices for gasoline after hurricane Katrina, in 2005, in the United States. Also, in Brazil, during severe landslides occurred in 2011 in Rio de Janeiro State, there were many angry consumers protesting in social networks about prices increases of essential items such as water and milk.

To a great extent, the difference in the Focus group participants' responses reflected the realities of their different environments. For example, in Brazil where inflation in past years has been in the double digits, may considered a 20% increase as not as high as it is considered in the United States and Germany.

Particularly in Germany where inflation of consumer goods is nearly negative, a 20% increase may well be perceived as exorbitant. There are also no doubt differences in how different businesses operate: gyms and mobile phones may be similar but not equivalent in different countries. Alternatives, for example, may be readily available in the United States but not in Brazil. Such differences can lead to perceptual

differences. These potential differences are a limitation that has to be taken into consideration. Despite these limitations, the Focus groups did provide clear support for the basic fairness model. How people react to unfairness appears to be universal.

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