

STUDY 1 SUPPLEMENTARY ANALYSES

Additional measures. Following the pricing decision and the percentage pass-through measure for a cost decrease (see stimuli), we assessed managers' fairness perceptions for asymmetric pricing: "Now please imagine that your firm's general policy is to increase prices when costs increase but maintain prices when costs decrease. How would you assess that pricing policy?" on a seven-point scale (1=unfair; 7=fair). To assess managers' communal/exchange norm perceptions, participants also rated the following statement: "I believe that firms should... (1=put customers' needs and welfare first and establish a caring personal relationship; 7= provide good value for money and establish an efficient business relationship with customers)". Participants also responded to background questions (Table A).

Percentage Pass-Through. Percentage pass-through (coded such that that higher numbers represent greater percentage pass-through of a cost decrease) varied by culture as expected, with collectivist (vs. individualist) managers passing on a larger percentage of a cost decrease (consistent with less asymmetric pricing). Specifically, ANOVA revealed a main effect of culture ($F(1, 441)=11.303, p=.001$); adding firm and respondent characteristics as covariates does not change this result ($F(1, 413)=5.38, p=.021$).

A mediation analysis is also supportive. Consumer concerns predicted percentage pass-through ($F(1, 440)=26.96, p<.01$). When consumer concerns were entered as a covariate in the ANOVA, its effect was significant ($F(1, 439)=22.81, p<.001$), the main effect of culture remained significant ($F(1, 439)=7.33, p<.01$), and the Sobel test of mediation was significant ($z=3.52, p<.01$). Adding firm and respondent characteristics as covariates does not change this result (Sobel $z=3.68, d.f.=1, p<.01$).

Fairness and Norm Perceptions. To provide further insight into managers' pricing decisions, we analyzed their fairness and norm perceptions. ANOVA of fairness perceptions revealed that Chinese managers perceived the practice of asymmetric price adjustment as less fair than U.S. managers ($4.05 < 4.95$, $F(1, 449) = 84.79$, $p < .001$). Likewise, ANOVA of the measure of norm perceptions revealed that Chinese managers more strongly endorsed communal norms than did U.S. managers ($4.22 < 4.57$, $F(1, 449) = 4.61$, $p = .032$).

As a further test of our theorizing, we conducted a mediation analysis (Hayes 2018) using managers' decision to price asymmetrically (dummy-coded) as the dependent variable, culture as the independent variable, and norm and fairness as serial mediators. The indirect effect (culture \rightarrow norm \rightarrow fairness \rightarrow asymmetric pricing) was supported ($axb = .0510$, 95% CI = .0052, .1210), and the direct effect of culture was not significant ($c = -.01$, $p = .94$). Adding firm and respondent characteristics as covariates does not change this result (95% CI = .0018, .1090 for the indirect path; $c = .43$, $p > .10$ for the direct path).

A similar analysis with percentage pass-through as the dependent variable also revealed a serial mediation (culture \rightarrow norm \rightarrow fairness \rightarrow percentage pass-through): the indirect effect was supported ($axb = -.0852$, 95% CI = -.2058, -.0028) and the direct effect was not significant ($c = -.07$, $p > .10$). Adding firm and respondent characteristics as covariates does not change this result (95% CI = -.1977, -.0046 for the indirect path; $c = .31$, $p > .10$ for the direct path).

Together, these results support mediation: collectivist (vs. individualist) managers hold communal (relative to exchange) norms that emphasize firms' concern for consumers and therefore perceive asymmetric pricing to be less fair, which diminishes their tendency to price asymmetrically.

TABLE A: DESCRIPTIVE STATISTICS (STUDY 1)

Dependent Variables	USA	China
Price decision: maintain / decrease / increase	60% / 26% / 14%	50% / 44% / 6%
Cost pass-through %	1.02 (5.67)	2.75 (5.13)
Rationales: consumer / firm / other firm / market / other	20% / 18% / 3% / 23% / 36%	35% / 25% / 5% / 19% / 16%
Fairness	4.92 (1.75)	4.05 (1.94)
Norm	4.57 (1.76)	4.22 (1.77)
Respondent Characteristics	USA	China
Age (<25, 25-39, 40-55, >55)	3% /48% /38% /11%	7% /78% /14% /1%
Gender (M/F)	55%/45%	61%/39%
Education (high school /college credit / vocational / bachelor's / graduate / professional)	11% /1% /12% /53% /21% /1%	3% /5% /5% /12% /53% /22%
Income (<5,5~<10,10~<15,15~<25, 25~<50,50~<150,150~<500,>500; all in \$1,000)	0% /0% /1% /2% /16% /73% /7% /1%	3% /12% /16% /38% /22% /8% /4% /1%
Experience (years)	10.45 (6.94)	6.99 (5.75)
Firm Characteristics	USA	China
Revenue (<1,1~<2,2~<6,6~<15,15~<50,>50; all in \$1 million)	10% /11% /14% /22% /17% /27%	15% /11% /14% /25% /20% /15%
# of Employee (<100, 100-300, 301-500, 501-1000, 1001-3000, >3000)	13%/ 19%/ 16%/ 11%/ 13%/ 28%	30%/ 22%/ 14%/ 15%/ 12%/ 8%
Industry (12 categories)	details available from the authors	
Channel (B2C / B2B)	66%/ 34%	66%/ 34%
<p>Note:</p> <ul style="list-style-type: none"> • Number of Observations = 220 ~ 228 (due to missing values). Percentages may add up to more or less than 100% due to rounding. • Income is in RMB ¥ per year (rounded to nearest 5 or 10 thousands), and revenue is in million RMB ¥ per year (rounded to the nearest 5 or 10 million) for the Chinese sample. The currency conversion rate used is USD \$1= RMB ¥6. • All analyses hold when firm and respondent characteristics are included as control variables. • For Chinese managers, the questionnaire was translated into Chinese and back-translated; the translation was verified by an independent bilingual speaker. 		

STUDY 3

This study conceptually replicates Study 2 by using participants from collectivist and individualist cultures to examine H2 again.

Method

The design of this study was the same as in Study 2. The major difference is that we recruited consumers from U.S. and China to represent collectivist and individualist cultures respectively. A total of 248 adult consumers in the U.S. were recruited from Mturk, and a total of 254 adult consumers in China were recruited from a Chinese online panel. Participants rated fairness of the pricing practice on four seven-point scales adopted from Bolton et al. (2010), with endpoints unfair/fair, unjustifiable/justifiable, unreasonable/reasonable, and unacceptable/acceptable ($\alpha = .95$). Participants also rated purchase intentions and provided background information (see Table B).

Results

ANOVA of fairness perceptions revealed the expected interaction ($F(4, 492)=2.11, p<.05$); the main effects of culture and justification are not significant ($p>.10$). When respondent demographics are entered as covariates, the culture*justification interaction remained significant ($F(4, 485)=2.85, p<.05$). To understand the nature of the interaction, simple effects tests were conducted. As expected, collectivist consumers perceived asymmetric pricing as less fair than individualist consumers in the control condition ($2.48<3.18, F(1, 492)=5.01, p<.05$). This difference was mitigated in the partial asymmetry, industry norm, and low profit conditions (all p -values $>.10$) and reversed with a communally-oriented justification ($2.88<3.63, F(1, 492)=5.76, p<.05$). Figure 1 below demonstrates these results. The same pattern emerges for behavioral intention (see Table B).

These results support H2 and replicate the findings of Study 2. Specifically, the results in the no-justification control condition replicate the cultural difference in fairness perceptions documented in Chen et al. (2018), and the justification results establish boundary conditions to this effect and replicate the pattern of Study 2 in support of H2.

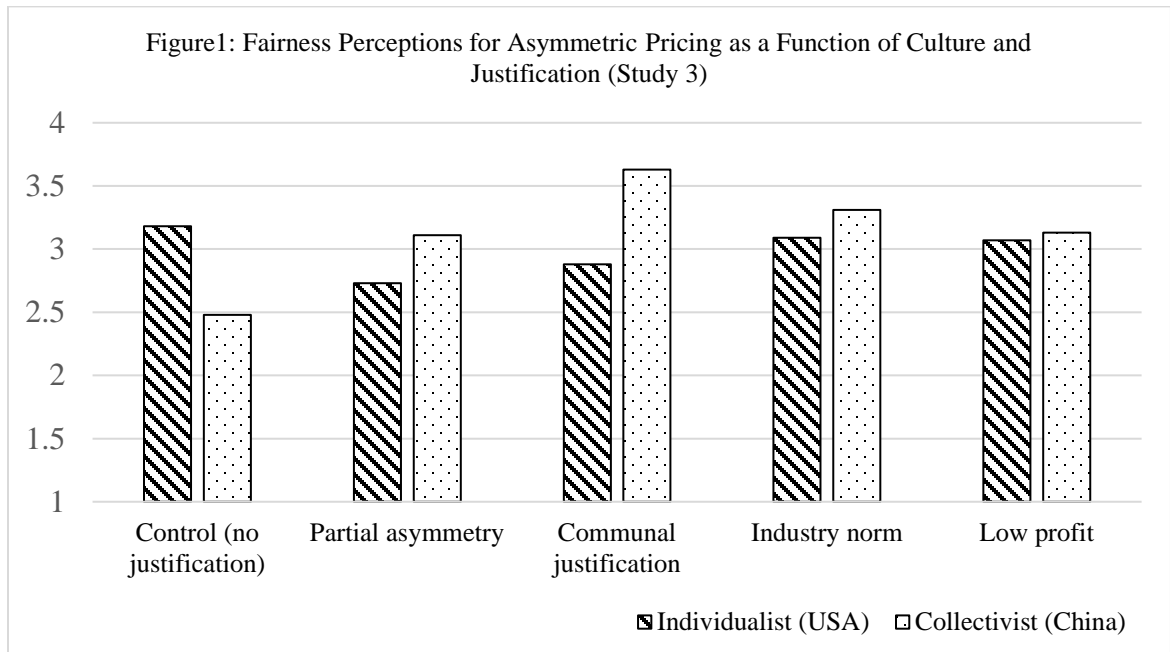


TABLE B: DESCRIPTIVE STATISTICS (STUDY 3)

Fairness	Control	Partial Asymmetry	Communal justification	Industry norm	Low profit
U.S.	3.18 (1.81)	2.73 (1.34)	2.88 (1.69)	3.09 (1.60)	3.07 (1.48)
China	2.48 (1.26)	3.11 (1.60)	3.63 (1.70)	3.31 (1.69)	3.13 (1.55)
Purchase Intention					
U.S.	4.24 (1.67)	4.01 (1.51)	4.18 (1.82)	4.18 (1.58)	3.88 (1.57)
China	3.21 (1.08)	3.65 (1.48)	4.77 (1.22)	4.00 (1.48)	3.80 (1.28)
Sample Characteristics			USA	China	
Age (<25, 25-39, 40-54, >=55)			19%/58%/17%/5%	0%/92%/8%/0%	
Gender (M/F)			65%/35%	50%/50%	
Education (high school or less/undergrad or associate degree/graduate degree/professional certifications)			26%/57%/15%/2%	1%/13%/86%/0%	
Income: Mean (SD), Range			\$35,250 (27,482) 0-\$175,000	RMB ¥ 16,476 (12,595) 1600-100,000	
Note:					

- Number of Observations = 247 ~ 254 (due to missing values). Percentages may add up to more or less than 100% due to rounding.
- The currency conversion rate used is USD \$1= RMB ¥6.