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In the surcharge blame game, companies tend to finish last

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Companies may bear the brunt of the blame for imposing surcharges on consumers, even when an outside agency foisted those charges on the company, according to an international team of researchers.

In a series of studies, consumers tended to blame the company that added internal and, in some cases, external surcharges to their bills. Internal surcharges are fees the company requires, such as an airline baggage fee, while external surcharges might be fees that a government is seeking, for example, when a city mandates a fee to cover worker health insurance.

"What we found is people draw causal attribution about why prices go up—they ask, who do I blame for this?" said Lisa Bolton, professor of marketing and the Frank and Mary Jean Research Fellow, Penn State. "We also found that the characteristics of the surcharge will shift blame. Whenever a surcharge cues something internal to the firm, people are more likely to blame the firm. If it's something that is externally caused, you can mitigate the blame."

However, companies can only mitigate that blame in certain cases. If customers don't believe the externally imposed fee is necessary, or they disagree with its purpose, the firm might still get the blame, according to Bolton, who worked with Florian Pallas, management consultant, Iskander Business Partners; and Lara Lobschat, assistant professor of marketing, University of Groningen, the Netherlands.

For example, customers may be split on an external surcharge that supports the environment, Bolton said.

"The reaction would depend on the perceived benefit, which means that if you really care about the environment and it's an external surcharge for an environmental cause, then you see that as being very beneficial and you would blame the company less," said Bolton. "However, there are people who are not as environmentally conscious and then they will blame you for passing on the fee."

Consumers tend to blame companies whether the surcharge will be temporary or permanent, Bolton added.

The researchers suggest that consumers might respond better to a price jump in the total price, rather than a bill that lists the regular price and all the surcharges before arriving at a total price. However, Bolton added that some firms might resist the idea because adding the higher cost might show up in online searches for a product and make it seem more expensive compared to competitors that list the price before surcharges on the web.

"There's a lot of activity in the surcharge pricing area and probably some of this is driven by wanting to keep your base price low because of online search," said Bolton.

The researchers, who report their findings in the *Journal of Service Research*, conducted four studies. The first, which had 153 North American adult participants recruited from Amazon Turk, an online panel selection service, examined all-inclusive and surcharge pricing. The researchers recruited 272 North American adults from the service to study permanent and temporary surcharges and 182 American adults to examine the perceived benefits of the surcharges. A fourth study, which included 209 European adults, analyzed the reaction to a combination of internal and external surcharges.

Bolton said future research might examine customer reaction to multiple surcharges that vary in characteristics and how marketers can communicate better when there are complex charges. The researchers may also look at how surcharges are perceived across cultures.

Provided by Pennsylvania State University

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