



BI Norwegian Business School - campus Oslo

GRA 19703

Master Thesis

Thesis Master of Science

Does the type of power impact customers' expectations of quality and price?

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Start: 15.01.2020 09.00

Finish: 01.09.2020 12.00

Does the type of power impact customers' expectations of quality and price?

MSc in Strategic Marketing Management
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Hand in date: 01.07.2020

This thesis is a part of the MSc programme at BI Norwegian Business School. The school takes no responsibility for the methods used, results found and conclusions drawn.

Acknowledgement

This Master's thesis is written in part of the MSc programme in Strategic Marketing Management at BI Norwegian Business School in Oslo. We would like to express our deepest gratitude to our research supervisor, Prof. Luk Warlop, for his helpful guidance through skype, encouragement and constructive criticism of this research work. As the paper has been written during Covid-19, we also want to thank Luk for being patient with us when certain aspects of the paper took a little bit longer than usual. We also want to thank Eirik Haus, for incredible help and engagement through the learning process of this master thesis. We also want to say thank you to our family and friends who have supported us during this thesis. Lastly, we also want to thank each other. Not only because of the great academic and complementary cooperation throughout this entire process but also due to the great friendship that came along this demanding semester. Now we have finished the thesis, we can proudly say we did it and we are done!

Thank you.

Jonas Lad & Bjørnar Brenne

Abstract

This study was conducted to examine whether different types of power (expertise, switching costs) leads to a difference in expected quality and fair price perceptions. Additionally, does sense of power mediate the relationship between types of power, expected quality and fair price estimations. A fitness club was utilized as a service context through an experimental survey to investigate the relationships. Findings depicted subjects with high expertise are more prominent to evaluate the price as fair. The results found no evidence of switching costs nor sense of power to influence subjects expected quality and fair price. Additional findings displayed expected quality to mediate the relationship between expertise and fair price estimations. As none of the hypotheses were supported, the main implication for this study is expertise and the effects on expected quality and fair price. Managers could enhance this by sharing sources of training information or informing the customers regarding how the various equipment can be used in the best manner. Consequently, customers` get a better understanding of the price-setting based on the quality that is delivered.

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1.0 Introduction

In recent years companies have recognized that one of the keys to success in the marketplace, except a well-produced product, is to place their customers as the number one priority in their business models, strategies, and communication. Hence, everyday operations are more adopted towards a customer-centric approach (Shah, Rust, Parasuraman, Staelin, & Day, 2006). Companies adapt their service policy to “the customer is always right”, due to the basic premises of delivering superior service to customers (Berry & Seiders, 2008). As a result, companies treat “customers as a king”. Furthermore, in the service sector, the labor force is encouraged to continuously provide service that meets or surpasses the expectations of the customers resulting in customer satisfaction (Seiders, Voss, Grewal, & Godfrey, 2005). It is understandable why companies choose to adopt such a philosophy as it can enhance profit growth by increasing sales over time and increase customer loyalty (Wetzel, Hammerschmidt, & Zablah, 2014).

However, a customer-centric orientation places the customer in “the driver seat” and increases customers' expectations on services, prices, and values, more than ever (Kotler, 2006). Findings from Wetzel et al. (2014) suggest that customer prioritization has distinct and undesired consequences. This includes both preferential treatments, status elevation, and increased entitlement. In addition, research concerning entitlement, states that it is correlated with aggression, dominance, anxiety, tenseness, and suspiciousness (Boyd Iii & Helms, 2005).

The increase in customer power can affect the behavior of the customer in a negative way. Research regarding customer behavior reveals that customers can be not only wrong but also behave in an unfair manner. Customer unfairness arises when a customer behaves in a way that is lacking common decency, reasonableness, respect for other customers, generating harm for the company and its employees. As a result, unfair customers profit from being “always right” by demanding unwarranted privileges and compensation, negatively affecting companies and, in some cases, employees and other customers (Berry & Seiders, 2008).

Research has already shown that increased customer power can have negative consequences for companies, but little to non-research have looked into differences between different types of power. French and Raven (1959) distinguish between distinct types of power (e.g. Coercive, Legitimate, referent, reward, and expert power). Raven later (1965) adopted information as another source of power. According to French and Raven (1959), expert power is one of the most common types of power, and is, therefore, a topical variable for our study. Due to the shift to more advanced technology, customers have increased access to information about companies and their products from multiple sources (e.g. customer reviews from eBay and Amazon.com). This works as a source of power (Urban, 2005), and leads to more knowledgeable customers that again lead to customers having higher expertise than before. The other type of power we adopt from the French and Raven (1959) classification is switching costs. Switching costs are a form of reward power companies or customers can hold vis-à-vis each other. If it is more expensive for one of the trading partners than for the other to leave the relationship and start trading with somebody else, the other party controls an important source of reward power (French & Raven 1959). Interestingly, switching cost is often fabricated by the companies themselves as protection against customer frequently changing providers or customer relationships (e.g. mobile subscriptions).

Hinkin and Schriesheim (1989) find that customers also can possess different types of power, although they are not necessarily aware of having it (Komter, 1989). Furthermore, Anderson, John, and Keltner (2012) find that certain attributes can influence individuals to attain power differently across contexts. For example, physical skills might give an individual power in an athletic group, but not necessarily in a group of engineers. As a result, individuals feel they have more power than others in different relationships. Hence, it is fair to presume that sense of power is subjective and something that can vary among customers` (Anderson et al., 2012). When the same amount of power is assigned, customers might have a different sense of power, resulting in various actions. Prior research notes that having or lacking power affects consumers` decision making and purchase behavior (e.g. How they purchase and their reactions to prices) (Anderson & Berdahl, 2002). Furthermore, power can be associated with more attention to payoffs, less complex information processing, and customer

motivation (Keltner et al., 2003; Zou, Jin, He, & Xu, 2014). Additionally, Berry and Seiders (2008) further elaborate on how power can impact customers` to demand cheaper prices, better quality, more privileges, and favorable compensations.

To investigate this topic, the study will use expected quality and price fairness as dependent variables to examine customer behavior. Price fairness is suitable because customers` perception of fair price can influence their intention to buy, willingness to pay, and engagement with the firm to a significant degree (Campbell, 1999). To our knowledge, no prior studies have examined if the type of power has a different effect on customer behavior. Thus, the goal of this paper is to answer the following research questions:

(1) Does the type of power a customer holds lead to a difference in expected quality and fair price perception?

(2) Does the sense of power mediate the relationship between types of power, expected quality, and fair price perception?

Power has several properties, one of them being that it can have a positive effect on positive affectivity (Keltner, Gruenfeld & Anderson, 2003; Anderson et al., 2012). Campbell (2007) found that affect is an important antecedent of (un)fairness perceptions. Further, Batra, Ahuvia, & Bagozzi, (2012) argue that positive affect can influence quality expectations.

Thus, we propose that sense of power mediates the effect between power, expected quality, and price fairness. Our research makes two important contributions. First, we contribute to the power literature by investigating an area not yet explored. Second, we contribute to increasing the knowledge of customer power among managers. Such insight could be interesting for managers, as companies in many cases choose how much power they give towards their customers (e.g. adapting to customer needs). This insight can contribute to managers being more selective in what kind of power they assign to their customers in different situations.

Next, we will present the conceptual framework of existing theory regarding power, switching cost, sense of power, expected quality, and price fairness. As we proceed, we will give a description of how the experiment and analysis will be

conducted. Last, we will discuss the implications as well as elaborate on limitations and future research regarding customer power, expected quality, and price fairness.

2.0 Conceptual background

2.1 Power

Power has been a fascinating subject for research over centuries, due to its pervasiveness in social relationships. As a result, people are influenced by those people who possess power. Keltner, Gruenfeld, and Anderson (2003) investigate the interpersonal relationship of power and how this emerges among workplace colleagues, friends, family members, and romantic partners (Komter, 1989).

Power is the foundation of any interpersonal interaction between consumers and service providers and the outcome of these interactions. In addition, power can determine control over money, resources, information, and impact in the decision-making process of the customer (Anderson, John, & Keltner, 2012; Weick & Guinote, 2008). Power can be defined as:

“An individual’s relative capacity to modify others’ states by providing or withholding resources or administering punishments” (Keltner et al., 2003, p.265)

Research on how consumers perceive power in service, suggests that consumers who perceive they have a higher power, believe they can influence the service-situation to their favor (Menon & Bansal, 2007). Furthermore, broad experience with another provider leads to higher expertise concerning the service and minimizes the uncertainty associated with using a new provider. (Burnham, Frels, & Mahajan, 2003). Previous research done by Menon and Bansal (2007) studies consumers’ experience of power during service consumption. They find that consumer knowledge is cited as a cause of high power.

The approach inhibition theory of power states that power leads to a heightened approach and depressed inhibition system. This is because the sense of having high power is correlated with a higher level of rewards, accompanied by a lower level of threats in the environment (Anderson & Berdahl, 2002). Customers possessing a high level of power experience less interference, while low power

customers are more prone to punishments and threats. (Anderson & Berdahl, 2002). In addition, customers with high power are more approach oriented as their sense of power is greater than customers with low power. Finally, the authors find that customers with low power perceive themselves as less powerful, compared to customers with high power. By interpreting these findings, the effects of power can be considered to be mediated by the customers' subjective sense of power (Anderson & Berdahl, 2002).

Even though all power differences originate from an imbalance in the magnitude of sources, the influential framework of French and Raven (1959) further distinguishes between different sources of power. The authors distinguish between reward, coercive, legitimate, referent, and expert power (French & Raven, 1959).

2.2 Expert power

Expert power is knowledge, expertise, or skills that the customer possesses (Flynn, Zhao, Huo, & Yeung, 2008). Alba and Hutchinson (1987) use the term customer expertise in a more extensive manner by dividing the term into two distinct aspects. First, they refer to cognitive structures that are associated with the consumers' beliefs concerning product attributes, and secondly, cognitive processes are related to the beliefs required to perform product-related tasks successfully. Expertise in a product and service perspective empowers consumers to evaluate more frequently and accurately regarding product-information (Alba & Hutchinson, 1987). Higher expertise is also correlated with mental structures, which enables consumers to evaluate information related to new products and learning (Park, Mothersbaugh, & Feick, 1994).

Tversky and Kahneman (1973) discover how knowledge has a facilitating effect on how easily customers retrieve information stored in their memory. Experts have stored multiple situations in their memory which makes it easier for them to recognize a problem, as well as how to handle this situation. Further, experts are more capable of acquiring information that is relevant to the problem. As a result, customers with higher expertise decrease their cognitive costs of information search. Prior research states that experts may be more likely to perceive a higher degree of risk than non-experts. This perception is due to the recognition of

potential problems, as well as experts perceive a higher risk of making bad decisions due to their status as experts (Selnes & Troye, 1989).

Typically, customers' evaluative criteria change as customers gain expertise (Alba & Hutchinson, 1987) as they are better able to evaluate the different attributes of different service offerings. In other words, customers become more expert in the product category. Customers with higher expertise benefit from being able to evaluate the attributes of the service more accurately. Hence, the substance of the service quality dimensions (e.g. tangibility, empathy, and behavior of staff) is expected to decline as customers gain more expertise (Vargo & Lusch, 2004). As a result of higher expertise, customers also manage to see beyond the functional layers of the service offering and rather evaluate the core attributes of the service (Bell, Auh, & Smalley, 2005). On the contrary, consumers with low expertise will have difficulty assessing service quality and they must rely on the relational and tangible aspects of the service to a larger degree (Sharma & Patterson 1999). Furthermore, inexperienced customers typically perceive higher risk in decision making (Heilman, Bowman, & Wright, 2000) and are likely to evaluate service quality across several attributes to decrease such risk (Brucks, 1985).

Reward power is another source of power French and Raven (1959) distinguish between. The source of reward power is an actor's ability to manage outcomes that are rewarding (Hinkin & Schriesheim, 1989). Reward power is applicable whenever a customer or service provider withholds rewards from the other to convince the other to give more. Hence, the more powerful actor will have several alternatives that yield equal or greater perceived value. This results in the actor withholding reward from the less powerful actor whenever engaging with those alternatives (Molm, 1988). An actor exposed to several service alternatives will incur lower switching costs as well as higher rewards. Supplementary, Thompson (2017) states that customers possess a higher degree of power in a market with several providers. Moreover, in a market with several providers corresponds to lower switching costs, indicating that customers should feel more powerful when choosing between a magnitude of service providers and vice versa (Porter, 2008). By interpreting the influential framework of French and Raven (1959) switching costs can, therefore, be categorized as a type of reward power. Based on this, this study will include switching costs as a source of power.

2.3 Switching costs

In several markets, customers face substantial costs of switching between brands, even though they are undifferentiated from each other. For example, two different banks may offer similar checking accounts, however, there are associated high transaction costs related to closing an account with one bank and opening another with a competitor. Likewise, it can be expensive to change your telephone service provider, to return rented equipment back to the firm, or rent the identical product from an alternative provider (Klemperer, 1987).

Switching costs can have an important role for companies, consequently, making it difficult for customers to adopt to another service provider (e.g. Establishing brand loyalty) (Fornell, 1992). Switching costs include the time and inconvenience involved in switching, the cost of any additional equipment needed, employee retraining costs, and the psychological costs of severing old supplier relationships and establishing new ones (Thompson, 2017). Further, Porter (1980) stated that:

In view of the potential importance of switching costs, the impact of all strategic moves on switching costs should be considered (Porter, 1980, p.122)

Porter (1980) proposed that switching costs are “one-time” costs, However, Burnham, Frels, & Mahajan, (2003, p.110) defined switching costs as: “*the costs that customers associate with the process of switching from one provider to another*”. While switching costs often are associated with the switching process, they don’t need to accrue immediately after a customer has switched to another provider (Burnham et al., 2003).

According to Fornell (1992), “*A direct measure of switching barriers is difficult to obtain*” as “*all costs associated with deserting one supplier in favor of another constitute switching barriers*”.

Hence, switching costs can not be only regarded as economic costs (Morgan & Hunt, 1994). It is important to understand the distinct and magnitude of costs that consumers perceive. When customers state that “it’s just not worth it” to switch providers, it can be based on several factors. Such factors can be search costs, transaction costs, learning costs, loyal customer discounts, customer habits, emotional cost, and cognitive effort, coupled with financial, social, and

psychological risk on the part of the buyer (Fornell, 1992). These distinct switching costs are rarely considered by the customer; however, they are more applicable when customers are shown the alternative to switch (Burnham et al., 2003). Porter (1980) elaborates on how customer relationships may be continued due to customers' perception of being exposed to high switching costs, even if the provider does not deliver adequate standards. Furthermore, findings from Ping (1993) states that a customer's decision to leave a current relationship may not only be affected by high switching costs but additionally a lack of providers that deliver prominent quality.

Increasing the strength of customers' psychological bonds with a provider's brand will increase people's likelihood of staying. However, by interpreting the findings of Burnham et al. (2003), decreasing customers' perception of risk associated by switching providers, the difficulty of evaluating new alternatives, costs related to creating new relationships and the learning costs required to use a new provider, will increase the customers' likelihood of leaving an existing relationship.

Thompson (2017) explains this with customers perceiving a low degree of switching costs and further states that customers possess a higher degree of power in a market with several providers. This is due to lower switching costs, and the customers being able to be more flexible and choose between the providers that have the superior offering to them. Additionally, Flynn et al. (2008) discuss how powerful customers are not aware of the potential power they possess, indicating customers with high expertise and low switching costs do not necessarily feel they have the power to influence.

2.4 Sense of power

Power has been perceived as a structural variable and as an aspect of social relationships (Emerson, 1962). However, Galinsky, Gruenfeld, and Magee (2003) argue that power can become a psychological characteristic of individuals.

Customers who feel they have power have more access to resources and control how these are distributed contrary to those without power (Keltner, Gruenfeld, & Anderson, 2003).

Prior research suggests that people with high power express their true attitudes and opinions more than people with low power, whereas customers with lower

power hinder themselves from expressing their attitudes and opinions more than customers with high power (Anderson & Galinsky, 2006). These findings contribute to research that has linked power to the amount individuals speak in social interactions.

Keltner et al. (2003) state that powerful customers control the powerless. How much power an individual believes it possesses decides what behavior is acceptable, whether they can “be themselves” or follow the social norms in society (Keltner et al., 2003). Moreover, powerful customers might not be aware of the potential power they possess (Flynn et al., 2008), causing customers` to seek information regarding their level of power. However, this information might illuminate the actual power structure, and not predict how customers think and behave. The behavior has not been found to rely on how much power an individual has, but on how much they subjectively perceive their sense of power to be. As a result, individuals` subjective sense of power usually stimulates the psychological effects of actual power (Keltner et al., 2003; Smith, Wigboldus, & Dijksterhuis, 2008).

Galinsky et al. (2003) suggest that a sense of power can be activated when an association to power is shown, both consciously and unconsciously, in the environment or recognition of past experiences. When this is activated, the sense of power shows to have a vital impact on customers` behavior. Based on this, we expect that customers who have high expertise and are exposed to a market with low switching costs will also experience an increased sense of power. Therefore, we present our first hypothesis H1:

H1: High expertise and low switching costs lead to an increased sense of power.

The sense of power corresponds to increased experience and positive emotions, including amusement, desire, enthusiasm, happiness, and love (Keltner et al., 2003). In addition, the degree to which customers experience their sense of power leads them to (experience) more positive affect and higher self-esteem and physical health (Anderson et al., 2012). Last, research conducted by Keltner et al. (2003) and Zou et al. (2014) states that sense of power can also impact how customers purchase products and services, and their reactions to prices.

2.5 Expected quality

Expectations serve as a reference point in customers' cognitive evaluation and basically capture customers' prior knowledge (e.g. previous experiences, advertisement, recommendations and other sources of information) and previous experiences with the providers' products services (Hult, Morgeson, Morgan, Mithas, & Fornell, 2017). Expectations are viewed as *predictions* made by consumers about what is likely to happen during an imminent transaction or exchange. Hult et al. (2017, p.40) define customer expectations as:

A measure of the customer's anticipation of the quality of a company's products or services.

Perceived quality is a vital aspect of customers' decision-making process as customers usually assess the quality of a product or service based on a magnitude of sources of information (Jin & Gu Suh, 2005). Multiple sources support that expected quality is a result of a comparison of what customers consider the service provider should offer (e.g. expectations) in relation to customers' perception of the service offerings performance (Parasuraman, Zeithaml & Berry, 1988). Accordingly, perceived service quality is considered as the degree and direction of deviation between customers' perceptions and expectations.

Expectations are influenced by customers' reference points in relation to their cognitive evaluations (Hult et al., 2017). The authors further elaborate on how expected quality has an impact on the customers' purchase decisions by corresponding positively towards perceived quality and perceived value. The authors state that this is due to customers' utilization of their learnings from prior experiences and what to expect in the future. Further, Oliver (2010) states that expectations are largely influenced by customers' prior knowledge or information (e.g recommendations, social media, etc.) and prior experience related to using a product or service. Other sources of information that influence expectations in a future service encounter are prior exposure to the service, expert opinion, word of mouth, communications controlled by the company, and prior exposure to competitors' services (Zeithaml, Berry & Parasuraman, 1991).

Oliver (1981) elaborates on how expectations are based on customer-defined probabilities of the occurrence of positive and negative events if the customer

engages with some behavior. Contrary, research on service quality has studied the expectations of customers' desire for attributes they actually want to be provided from product/service (e.g. what customers believe a service provider should (are inclined to offer, rather than would offer). With this in mind, it is reasonable to assume that people who feel an increased sense of power will also have higher expectations. This builds the basis for hypothesis H2a and H3a:

H2a: An increased sense of power increases the expected quality.

H3a: High expertise and low switching costs leads to increased quality expectations

2.6 Price fairness

Price fairness can be defined to the extent to which an outcome is deemed reasonable or acceptable (Bolton, Warlop, & Alba, 2003). In addition, Xia, Monroe & Cox (2004) articulate that price fairness involves a comparison of price and process, in relation to a certain reference point, or standard. Furthermore, Xia et al. (2004) articulate that fair price perception can also have an impact on product value as well as customer satisfaction.

Nonetheless, in order to understand the aspects of fairness, some clarifications should be addressed (Xia et al., 2004). When we are referring to fairness, it is also important to elaborate on unfairness. The concept concerning unfairness is usually sharper, clearer, and more distinct compared to fairness. Perceptions of price unfairness are based on consumers' beliefs and reactions to whether the price is right or wrong (Kahneman et al., 1986). Hence, consumers are familiar with the feeling when they are exposed to an unfair experience, contrary to when they are exposed to an experience that is fair (Xia et al., 2004). Price fairness not only affects customers' perception of a price being fair, but it also directly affects other variables that impact customers' behavior in a negative manner.

As we mentioned before, such perception can affect consumers' intention to buy, willingness to pay, and customer engagement with the firm. In addition, previous research from Campbell (1999) finds that unfair prices can affect customers' satisfaction, intention to purchase, and complaints. Furthermore, Xia et al. (2004) state that negative perceptions related to unfair prices can result in a negative

attitude that influences purchase intentions, complaints, and negative word of mouth.

Price fairness is subjective and normally considered from the consumers' perspective. Hence, consumers can be seen to be biased as they try to maximize their own profits by paying a significantly lower price. Further, due to findings from prior literature, an assessment of price fairness is considered as comparative. Both equity theory and the theory of distributive justice indicates that perceptions of fairness are induced when a person compares an outcome with a comparative other's outcome (Xia et al., 2004).

The perception of a price being fair is one of the most crucial factors that influence consumers' reactions to a specific price (Kahneman et al., 1986). Furthermore, consumers are more distressed with an increase in price, resulting sometimes in an unwillingness to pay a price that is considered unfair. However, from a price fairness perspective, consumers can be biased as they try to increase their profits and pay a considerably lower amount.

Anderson et al. (2012) find in their study tendencies for people with power have a greater focus on themselves, and less focus on those around them. It is therefore obvious to believe that those who feel a higher sense of power will have less focus on providers to make a profit on the service they provide. Based on this idea, we have developed hypothesis H2b and H3b:

H2b: An increased sense of power decreases the expected fair price.

H3b: High expertise and low switching costs lead to decreased fair price expectations.

3.0 Methodology

This study investigates a causal relationship between types of power (expertise and switching costs) and its effect on the expected quality and fair price perception. Additionally, sense of power is proposed to have a mediating effect between the types of power, expected quality, and fair price perception. To explore these relationships, power was examined through a service context. Prior research on power has studied the construct from a product perspective, while little to none has studied power from a service perspective. An interesting take, it

is more demanding for customers to evaluate a service as they are not standardized in the same manner as an ordinary product. Consequently, criteria like quality and price will be more challenging for subjects to consider. (e.g. Intangibility, heterogeneity, inseparability, and perishability) (Lusch & Vargo, 2004). In this study, a hypothetical fitness club became the service encounter of choice due to people, in general, having considerable knowledge related to training facilities. Simultaneously, there is also attached a great variety of knowledge between the subjects to examine the effects of expertise.

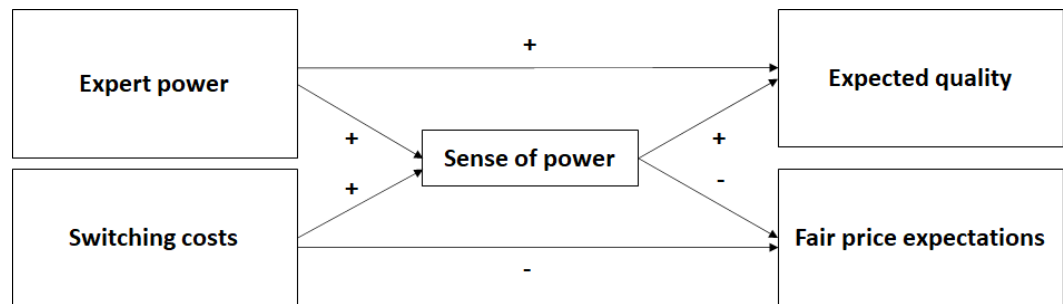


Figure 1: Conceptual model. Type of power is mediated through sense of power and affects expected quality and fair price expectations.

3.1 Design and sample

To test the hypothesized relationships, a two (high switching cost/low switching cost) by two (high expertise/low expertise) between-subjects experimental design was conducted. After the data were screened for univariate outliers and excluded individuals that failed to satisfy the attention check, a total of 205 respondents completed the experimental survey via Qualtrics. The participants were collected through different platforms such as Facebook, Reddit, and other social forums by distributing an anonymous link. The descriptive statistics displayed a sample consisting of 105 male, 100 females, where 88 percent of the sample were distributed within the age group of 20-29 years old. Additionally, since the survey was distributed through numerous social media platforms, respondents may represent a great diversity of nationalities. Neither gender nor age was found to have a significant effect on any of the variables and was therefore not included in any further analysis.

3.2 Procedure and manipulation

First, subjects were presented with a cover story, telling them that the main goal of the study was to investigate which factors customers emphasize when deciding on their preferred fitness club. This was done to avoid disclosing the subjects to the hypothesis being investigated. Subjects were randomly assigned to one of two nuanced conditions in writing and illustrations for stimulus. In both scenarios, respondents were presented with a picture of a training facility supplemented with equipment and what they can offer to reach individuals' personal training goals.

A new gym opens near you!

In our modern fitness club our members can experience group sessions, no lockdown, open 24/7, wardrobe, shower & sauna, the newest training equipment, personal trainer, nutrition physiologist & physiotherapy.

Our goals

- HELP YOU FIND YOUR STARTING POINT
- BUILD YOUR PATH TO SUCCESS
- SHOW YOU THE ROPES
- BE WITH YOU EVERY STEP OF THE WAY



- We've got all the equipment you need to sprint, jog or walk your way to your fitness goals. We're cheering for you!
- Bulk up, trim down, or just rock out to your favorite playlist. Our free weights, shiny machines, and cutting-edge equipment are the gear to get you there.

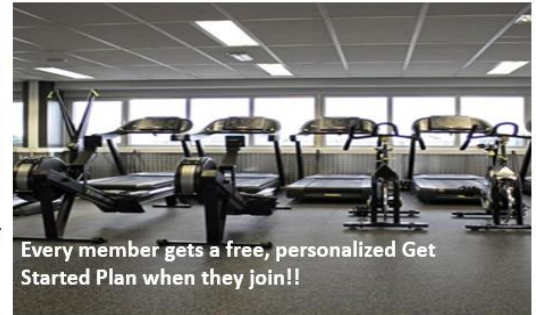


Figure 2: Stimuli

Subjects were asked to imagine that a hypothetical training was opening near them. For the condition representing high switching costs, subjects were informed that a new training facility was opened in an area with a shortage of training facilities. Additionally, subjects were also told that the new training facility would save the respondents for a 20-minute walk, compared to other training facilities in the immediate area. For the condition representing low switching costs, subjects were informed that a new training facility was opened in an area where three training facilities existed within a walking distance. Supplementary, subjects were also told that the new training facility provided the same service offering as the other competitors (e.g. Equipment, personal trainer, etc). Through randomization in Qualtrics, it was possible to make sure that the conditions were evenly

presented to the subjects. In addition, the survey also included the function of forced response, preventing the respondents to proceed without giving an answer.

Since expertise is the knowledge that accumulates over time, manipulation of expertise power would, therefore, be insufficient within this context (Alba and Hutchinson, 1987). Instead of manipulating expertise, the variable was chosen to be operationalized and measured. Nevertheless, a large enough sample was expected to provide enough variation in the two groups, allowing expertise to be divided into high and low.

3.3 Manipulation check

The manipulation was measured with one seven-point Likert type item capturing agreement with the statement “It will be challenging for you to subscribe to this fitness club”. Responses were anchored by “Strongly disagree” (1) and “Strongly agree” (7). Respondents in the high switching cost group ($N= 101$) had a perceived switching cost of $M = 3.71$ ($SD = 1.62$). By comparison, respondents in the low switching cost group ($N=104$) had a perceived numerically smaller switching cost of $M = 3.26$ ($SD = 1.46$). To test if the high switching cost and the low switching cost condition lead to a statistically significant different mean of switching cost, an independent sample t-test was conducted. The assumption of homogeneity of variance was tested and satisfied via Levene’s F test, $F(183) = .87$, $p = .35$. The independent samples t-test showed a statistically significant effect, $t(183) = -2.03$, $p = .04$. Thus, the low switching cost group had a statistically significant smaller mean of perceived switching cost than the high switching cost group. The difference is modest at best, and it is worth mentioning that both groups report a mean below the average of the scale. The authors surmise that the manipulation of switching cost led to such small differences that the manipulation had no actual effect, which will be addressed further in the limitation section of the paper.

3.4 Measurements

Subjects were presented with a questionnaire consisting of five parts. In the first section, they were asked about questions regarding expertise towards fitness clubs. In the second section, subjects were presented with switching costs

manipulation (high/low). Following the manipulation, they were asked questions regarding their sense of power when choosing a fitness club, expected quality, and perceived fair price. The applied concepts in the questionnaire have already been operationalized in previous research and have been customized to fit the context of this study.

Expertise was measured by applying a four-item scale (Alba & Hutchinson, 1987; Thompson, Hamilton & Rust, 2005). The first three questions were open-ended scales, consisting of the statements “How long have you been a member of a fitness club,” “How often do you normally work out each month at the fitness club,” and “How many different fitness clubs have you been a member of.” The last question, “How would you rate your knowledge when it comes to fitness clubs,” was measured by using a seven-point Likert type scale ranging from “Very low”(1) to “Very high”(7).

Similar to previous research (Anderson et al., 2012) sense of power was measured by using the items “I feel I have the power to freely choose my fitness club,” “I think I have a great deal of power to influence my choice when choosing a fitness club” and, “I feel forced to choose a specific fitness club”. Responses to the items were measured using seven-point Likert type scales capturing agreement with the statements and anchored by “Strongly Disagree” (1) and “Strongly Agree” (7)

Expected quality was measured with six seven-point Likert type scales based on Hult, Morgeson, Morgan, Mithas, and Fornell (2017). The items used were “How well do you think this fitness club compares with your ideal fitness club,” “My expectation regarding this fitness club is high,” “I believe that the service offerings at this fitness club meet my expectations,” “I feel good about what this fitness club offers to its customers,” “I believe this operator will do a good job of satisfying my needs,” and “I expect the quality of the fitness club to be low”. All the scales are capturing agreement with the statements by “Strongly disagree”(1) and “Strongly agree”(7).

Fair price was measured by five items based on prior research (Martin, Ponder, and Lueg, 2009; Bolton, Warlop, and Alba, 2003) on price fairness. The first three items were open-ended questions asking, “What do you expect the monthly price of the membership to be,” “What do you feel would be a fair price for the fitness

club to charge their members each month,” and “Based on your previous answer, how much of the price should be profit for the fitness club.” The last two items were, “I am concerned that the membership will not be worth the money” and “I believe that the fitness club will charge a reasonable price” and was intended to measure subjects’ concern about the price being unfair. Both were measured using seven-point Likert type scales and anchored with “Strongly disagree”(1) and “Strongly agree”(7).

3.5 Factor analysis

Before the analysis, the factorability of the 15 items was examined. The items measuring expected price, fair price, and profit were not included in the factor analysis since these items were meant to be analyzed separately and not indexed into a specific variable. First, The Kaiser-Meyer-Olkin measure of sampling adequacy was .81, above the recommended value of .60 (Hutcheson and Sofronio, 1999), and Bartlett’s test of sphericity was significant ($\chi^2 (105) = 1351.6, p > .001$). The anti-image correlation matrix also showed that all the diagonals were over .5. Secondly, all the commonalities were above .3 (see appendix 2) and confirms that all the items shared some common variance with other items. Based on these indications, it was reasonable to assume that all items were suitable for factor analysis.

Principal components analysis with direct oblimin was utilized. The output revealed Initial eigenvalues that indicated that the four first factors explained 29%, 15%, 11%, and 8% of the variance. The other factors had eigenvalues below one and explained less of the variance (< 6%). Based on (1) theoretical support, (2) the «drop-off» of eigenvalue on the screen plot after four factors, and (3) an insufficient number of primary loading, it would be a reasonable solution to use four factors further in the analysis. None of the items were eliminated due to achieving the minimum criteria of having a primary factor loading of .4 or above, and no cross-loading of 0.3 or above. The factor loading matrix is presented in Table 1.

Internal consistency for each scale was examined by using Cronbach’s alpha. The alphas were $\alpha = .74$ for Expertise (4 items), $\alpha = .76$ for Sense of power (3 items), and $\alpha = .93$ for expected quality (6 items). There were no increases in alpha for

any of the scales that could have been achieved by eliminating more items. The two items measuring subjects' concern about the price showed a correlation of .50.

Table 1: Factor and Cronbach's alpha scores

| Measurement model | | |
|---|--------|------------------|
| Item | Factor | Cronbach's Alpha |
| <i>Expertise</i> | | .74 |
| How long have you been a member of a fitness club? | .83 | |
| How often do you normally work out each month at the fitness club? | .68 | |
| How many different fitness clubs have you been a member of? | .75 | |
| How would you rate your knowledge when it comes to fitness clubs? | .76 | |
| <i>Sense of power</i> | | .76 |
| I feel I have the power to freely choose my fitness club? | .87 | |
| I think I have a great deal of power to influence my choice when choosing a fitness club. | .88 | |
| I feel forced to choose a specific fitness club. | .74 | |
| <i>Expected quality</i> | | .93 |
| How well do you think this fitness club compares with your ideal fitness club? | .91 | |
| My expectation regarding this fitness club is high. | .90 | |
| I believe that the service offerings at this fitness club meet my expectations. | .88 | |
| I feel good about what this fitness club offers to its customers. | .90 | |
| I believe this operator will do a good job of satisfying my needs. | .89 | |
| I expect the quality of the fitness club to be low. | .60 | |
| <i>Fair pricing</i> | | |
| I am concerned that the membership will not be worth the money. | .82 | |
| I believe that the fitness club will charge a reasonable price. | .77 | |

$(\chi^2 (105) = 1351.6, p > .001)$

Composite scores were established based on the mean of the items measuring sense of power, expected quality, and fair pricing. Before computing the variable “expertise”, all items measuring expertise were converted into z-scores. Since the reported values from the four items are not necessarily comparable, the z-scores can be used to measure how many standard deviations below or above the population mean a raw score is (Field, 2014) The variable “expertise” was used to create a categorical variable “expertise_grp”, where respondents with a score below the mean (low expertise) = 0, and respondent with a score above the mean

(high expertise) = 1. Last, to analyze respondents' distance between fair price estimations and expected price, the variable "Fairprice_diff" was computed (Fair price divided by expected price).

4.0 Results

Hypothesis 1 aimed to test whether high expertise and low switching costs lead to an increased sense of power. A two-way analysis of variance was conducted on the influence of two independent variables (switching cost, Expertise) on respondents' sense of power. The main effect for switching cost yielded an F ratio of $F(1, 197) = 1.23, p = .27$, indicating that the effect for condition was not significant, low switching cost ($M = 5.78, SD = 1.00$) and high switching cost ($M = 5.55, SD = 1.25$). The main effect for expertise yielded an F ratio of $F(1, 197) = 8.131, p = .01$, indicating a significant difference between low expertise ($M = 5.43, SD = 1.20$) and high expertise ($M = 5.90, SD = 1.02$). The interaction effect was not significant, $F(1, 197) = 1.39, p = .24$. Simply put, it was found that people with high expertise will have a higher sense of power compared to people with low expertise. Accordingly, these findings provide no support for hypothesis 1.

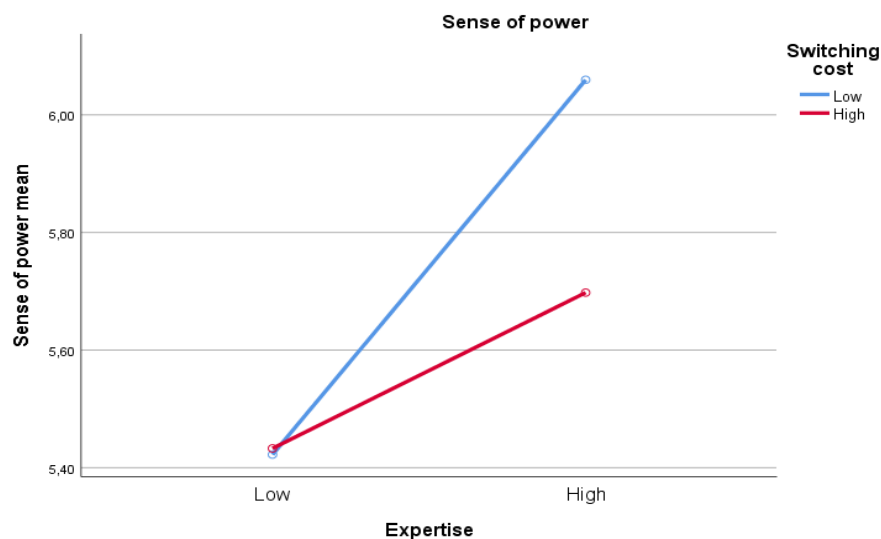


Figure 3: Means plot H1

Hypothesis 2a questioned if an increased sense of power increases expected quality. To test this hypothesis a simple linear regression analysis was conducted. The output portrays no significant support for sense of power predicting expected quality ($b = .10, t(196) = 1.47, p = .14$). Sense of power also failed to explain a

significant proportion of variance in expected quality scores ($R^2 = .01$, $F(1, 196) = 2.15$, $p = .14$). An interpretation of $(b) = .10$ indicates positive tendencies between the variables. This suggests that an increased sense of power equals an increased expected quality, which is conforming with the hypothesis. However, as the P-value was greater than .05, an increased sense of power has no significant effect on expected quality. Consequently, hypothesis 2a was not supported.

Hypothesis 2b aimed to uncover whether an increased sense of power decreases fair price expectations. A simple linear regression analysis was calculated to predict participant's fair price estimates (expected price, fair price, fairprice_diff, Profit, and price concerns) based on their sense of power. The first regression was calculated to predict the expected price based on sense of power, resulting in a non-significant regression equation ($F(1,178) = .02$, $p = .87$), with an R^2 of .000. The regression regarding sense of power as a predictor for fair price also resulted in a non-significant regression equation ($F(1,176) = .02$, $p = .87$), with an R^2 of .000. Furthermore, the regression regarding sense of power predicting fairprice_diff displayed ($F(1,178) = .45$, $p = .51$), with an R^2 of .003. Additionally, sense of power failed to explain a significant proportion of variance in profit scores ($F(1,176) = .026$, $p = .87$), with an R^2 of .00. Identical to previously conducted analysis, sense of power was found to have no significant effect for predicting price concerns ($F(1,183) = .93$, $p = .34$, with an R^2 of .005. None of the utilized variables portrayed a $p < .05$, representing no significant support for sense of power predicting any of the fair price estimates. Therefore, hypothesis 2b was not supported.

Table 2: Regression models

Regression models with fair price estimates as dependent variables

| Independent variable | Dependent variable | Coefficients | | | | |
|----------------------|--------------------|--------------|-------|---------|-------|-----|
| | | B | SE | β | t | p |
| Sense of power | Expected price | -2.66 | 11.50 | -.17 | -.23 | .82 |
| | Fair price | 1.26 | 8.15 | .01 | .16 | .88 |
| | Fairprice diff | .01 | 0.1 | .05 | .67 | .51 |
| | Profit | -1.08 | 6.66 | -.01 | -.162 | .87 |
| | Price concerns | -.07 | .07 | -.07 | -.965 | .34 |

A bootstrap estimation has been advocated as the superior examination of the mediating effect (Preacher & Hayes, 2004, Zhao et al., 2010). Therefore, to explore whether sense of power mediated the relationship between the type of power, expected quality, and fair price was tested by conducting an estimation procedure with 5000 bootstrap samples and 95% confidence intervals. The indirect effect of expertise on expected quality via sense of power is shown to be positive, but non-significant ($b = .033$, BCa CI [-.036, .127]). The results also found that the indirect effect of switching cost on expected quality via sense of power is negative, but non-significant ($b = -.025$, BCa CI [-.090, .017]). For the fair price variables, the results found the same, confidence intervals that include zero, meaning no statistically significant effect (see table 2). Thus, this study finds no evidence that sense of power has a mediating effect on the relationship between the type of power and expected quality and fair price.

Table 3: Mediation analysis

| Indirect effect of switching cost on fair price via sense of power | | | | | |
|--|-------------------------|-------------------------|-----------------------------|-------------------------|---------------------|
| | Expected Price | Fair price | Fair price / expected price | Profit | Concern |
| Switching cost | .66 [- 6.05, 9.81] | -.24 [- 5.69, 8.19] | -.00 [- .01, .01] | .23 [- 4.27, 5.23] | .02 [- .02, .07] |
| Expertise | -3.83 [-17.70, 8.92] | -2.88 [-13.80, 8.29] | .00 [-.01, .02] | -2.20 [-10.84, 5.00] | -.01 [-.10, .05] |

Hypothesis 3a sought to unveil if high expertise and low switching costs lead to increased quality expectations. To test this relation a two-way analysis of variance was conducted on the influence of two independent variables (switching cost, expertise) on respondents' quality expectations. The main effect for switching cost yielded an F ratio of $F(1, 194) = .01, p = .92$, indicating that the effect for switching cost was not significant, low switching cost ($M = 5.10, SD = 1.06$) and high switching cost ($M = 5.07, SD = 1.17$). The main effect for expertise yielded an F ratio of $F(1, 194) = 5.40, p = .02$, indicating a significant difference between low expertise ($M = 4.90, SD = 1.14$) and high expertise ($M = 5.27, SD = 1.06$). There was no significant interaction effect between the level of condition and expertise, $F(1, 194) = .06, p = .81$. Thus, the results do not support H3a.

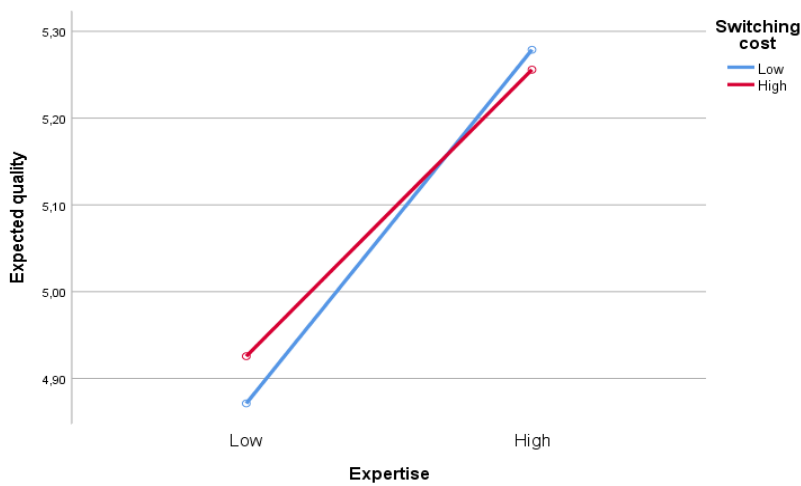


Figure 4: Means plot H3a

Hypothesis 3b aimed to reveal if high expertise and low switching costs lead to decreased fair price expectations. To test for this, five two-way analysis of variance was conducted on the influence of two independent variables (switching cost, expertise) on five different dependent variables (expected price, fair price, Fairprice_diff, profit, price concern).

Table 4 and 5 displays descriptive statistics for the independent variables. It was found that expected prices were higher for high expertise than for those with low expertise ($F(1, 178) = 3.78, p = .05$). More surprisingly, estimates of the fair price were also higher for high expertise than for those with low expertise ($F(1, 178) = 12.54, p < .001$). There were no significant effect of switching cost nor its interaction with expertise for expected price ($F(1, 178) = .20, p = .66$; interaction $F(1, 178) = .53, p = .47$) and fair price ($F(1, 178) = .03, p = .85$; interaction $F(1, 178) = .07, p = .79$).

There were no significant effects of expertise ($F(1, 176) = 1.90, p = .17$) nor switching cost ($F(1, 176) = .05, p = .83$; interaction $F(1, 176) = .00, p = .97$) when measuring the distance between expected and fair price (fair price divided by expected price). It was found that estimates for how much of the price should be profit were higher for those with high expertise than for those with low expertise ($F(1, 174) = 3.86, p = .05$). The condition had again no significant effect on profit estimates ($F(1, 174) = .30, p = .59$; interaction $F(1,174) = 2.36, p = .13$). Estimates for the subjects concern about the price being unfair were significantly lower for high expertise than low expertise ($F(1,181) = 4.54, p = .03$), but did not vary by condition ($F(1, 181) = .00, p = .98$). The results find no statistically significant interaction between expertise and switching cost on fairness ($F(1, 181) = .06, p = .80$). Thus, H3b is not supported.

Table 4: Descriptive statistics expertise

Means and standard deviations of dependent variables

| Expertise | Expected Price | Fair price | Fair price / expected price | Profit | Concern |
|-----------|-------------------|-------------------|-----------------------------|-------------------|-----------------|
| High | 462.5* (166.6) | 392.2* (99.34) | .88 (.18) | 172.7* (99.12) | 3.60* (1.09) |
| Low | 413.8 (179.1) | 328.8 (136.9) | .84 (.22) | 144.1 (100.1) | 3.95 (1.08) |

* $p < .05$.

Table 5: Descriptive statistics switching cost

Means and standard deviations of dependent variables

| Switching cost | Expected Price | Fair price | Fair price / expected price | Profit | Concern |
|----------------|------------------|------------------|-----------------------------|------------------|----------------|
| High | 440.6 (166.2) | 358.1 (118.6) | .85 (.22) | 161.4 (105.2) | 3.79 (1.03) |
| Low | 437 (182.4) | 365.0 (127.6) | .87 (.20) | 156.4 (95.71) | 3.75 (1.16) |

* $p < .05$.*Table 6: Summary of Findings*

| Hypothesis | Description | Results |
|------------|---|---------------|
| H1 | High expertise and low switching cost leads to higher sense of power | Not Supported |
| H2a | Increased sense of power increases expected quality expectations | Not supported |
| H2b | Increased sense of power increases expected fair price | Not Supported |
| H3a | High expertise and low switching costs leads to increased quality expectations | Not supported |
| H3b | High expertise and low switching costs leads to decreased fair price expectations | Not supported |

4.1 Additional findings

As the findings for H3b were contradictory to what was hypothesized, it would be interesting to examine whether expected quality acted as a mediator in the relationship between expertise and fair price. If expected quality acts as a mediator, it could possibly explain why subjects with high expertise (vs low) give higher expected and fair price estimates (Schindler, 2012). To explore this relationship, a bootstrapping method was again applied (Preacher & Hayes 2008; Zhao, Lynch, & Chen 2010). The indirect effect of expertise on expected price via expected quality was shown to be positive and significant ($b = 14.32$, BCa CI [2.31, .29.66]). Supplementary, the total effect of expertise on expected price was significant ($b = 48.75$, $t = 1.96$, $p = .05$), meaning that the indirect effect accounts for 29,37% of the total effect. The results further indicate that the indirect effect of expertise on fair price via expected quality is positive and significant ($b = 10.50$,

BCa CI [1.91, 21.66]. Additionally, there was found a significant total effect ($b = 63.39$, $t = 3.57$, $p < .001$), indicating that the indirect effect accounts for 16,57% of the total effect. The analysis found no significant indirect effect of expertise on profit ($b = 5.01$, BCa CI [-.06, 12.61], the distance between expected and fair price ($b = -.00$, BCa CI [-.02, .01], nor concern ($b = .06$, BCa CI [-.01, .17] via expected quality. In other words, expected quality does mediate the relationship between expertise and expected and fair price in a positive direction. Interestingly, findings suggest that respondents are influenced by quality expectations, to a low degree, when evaluating if they expect a price to be fair compared to when asked for expected price.

One explanation for this result may be that respondents are more reliant on the expected quality when they are first asked to specify a price for the fitness club. When asked to specify a price they consider as fair, an anchoring effect may occur (Strack & Mussweiler, 1997), which results in the respondents placing more emphasis on the price they just stated than on the expected quality of the fitness club.

5.0 Discussion

In this final chapter, we first summarize the findings and our theoretical contributions in this thesis. We also highlight the shortcomings of our findings and propose ways to address them. Finally, building on our findings in this thesis, we envision future research possibilities. This study searched for convergent evidence on two research questions: (1) does different types of power a customer hold, leads to a difference in the expected quality and fair price perception. Supplementary, (2) does the sense of power affect the relationship between types of power, expected quality, and fair price perception.

Our findings suggest that differences in power exist, which equals to different perceptions concerning expected quality and price fairness estimations. Subjects with high expertise are characterized by higher expectations regarding quality, contrary to people with low expertise. Simultaneously, subjects with higher expert power have a propensity to expect a higher price from the provider. Fascinating, they also consider a higher price to be fair, contrary to subjects with lower expert power. This contradicts Anderson et al. (2012) stating that people with power have a greater focus on profiting themselves, and less focus on those around them.

Subjects with higher expertise also depict a higher profit margin for the fitness club, as well as being less concerned that the price of the membership will be unfair. Further, reward power (in this study manipulated as switching costs), experience to have no differences between subjects when evaluating quality, nor fair price estimations. Contrary to Anderson and Berdahl (2002), sense of power does not mediate the relationship between types of power (e.g. expertise and switching costs). Simply put, in this study, the effects of power do not depend on whether the person feels an increased sense of power, but rather what type of power is assigned to the individual. Additional findings display that expected quality mediates the relationship between expertise and expected and fair price estimates. Conforming with theory from Schindler (2012), the findings suggest that customers' expected quality of a service provider influences their willingness to pay.

Despite that low switching cost should lead to increased power (Thompson, 2017) and higher expertise should lead to increased power (French & Raven, 1959) and vice versa, this study finds no evidence of an interaction between the two types of power.

5.1 Managerial Implications

This study gives indications of opportunities for companies to create different types of power for their customers through their communication and customer management. The analysis uncovered customers with high expertise are more prominent to evaluate the price as fair, compared to those with low expertise. Hence, companies can enhance and facilitate this by sharing sources of training information (e.g. blogs, forums, etc.), or informing the customers regarding how the various equipment can be utilized in the best manner. Consequently, customers will get a better understanding of what factors influence the price, attain more knowledge, and develop their expertise status. Furthermore, this study has not examined whether low switching costs can affect customers' decision to sign a membership. However, evidence suggests that switching costs will not impact customers' price estimations.'

Nonetheless, negative consequences are associated with exposing customers with too much information regarding fitness clubs. If the desire is to achieve a higher price in the market (price premium) this may not be a recommended choice. By increasing the customer's expertise, you will also give the customer a greater

understanding of what the market offers to its customers`. Noteworthy, if customers and providers possess the same amount of knowledge, it will result in power asymmetry being removed, which impacts customers' willingness to pay (Schindler, 2012).

6.0 Limitations

There are several factors that may have impacted the quality of the data regarding this study, such as the circumstances regarding COVID-19. The choice to study power within a service context such as a fitness club was a sensible choice at that time. However, due to hygiene and social distancing, there are reasons to expect biased answers from subjects who attended the experimental survey. Furthermore, as the survey was distributed through social media, it will result in less control over the attended respondents. Hence, there will be associated with more errors in the data contrary to an ordinary lab experiment, due to respondents potentially being exposed to more distractions.

Results from H3b, displaying that high expertise leads to higher fair price estimates compared to those with low expertise, is contrary to what is hypothesized. This could be explained by the fact that expertise is related to skills and knowledge (French & Raven, 1959). The fitness club is portrayed with pictures and information about the equipment available, therefore, it is conceivable that a fitness club of this quality may be in the upper price range. This can impact those with high expertise to evaluate the price closer to the actual market price, while those with low expertise does not have a reference point (Schindler, 2012) for this type of service and therefore undervalue it (Sharma & Patterson, 1999). This explanation can be reinforced by Alba and Hutchinson`s (1987) findings that gained expertise makes customers better able to evaluate the different attributes of different service offerings. Retrospective, it would be more suitable to expose subjects for a fixed price instead of using expected and fair price estimation variables. Such a variable could have been relevant by exposing subjects to the statement "this fitness center costs 399 NOK. What do you think would be a fair price for this fitness club?" Thereby, a reference point would be created as guidance for customers with low expertise.

Switching costs are not significant in any of the conducted analyzes and can be explained by insufficient manipulation. Consequently, the manipulation did not fabricate adequate variation between the two groups. In retrospect, both groups exposed to the stimulus had a mean score below the average score of the scale, indicating that none of the groups felt anything reminiscent of what could be characterized as a high switching cost. It would be reasonable to believe that a manipulation which constitutes bigger differences between the groups, could lead to different results. It was not desirable to make the differences between the two groups unreasonably high (i.e. demand effect), therefore, the stimuli meant to manipulate high switching cost informed the subjects that they would save 20 minutes when switching to the new fitness club. In hindsight, this decision, unfortunately, created small differences, nearly non-existing, between the groups. This could have been more successful, for example, by including some sort of contract, forcing the customers to commit themselves for 12 months. Another example could be a scenario where one of the groups of subjects must pay a fee to the current provider before any change of provider can be carried out. Additionally, it is conceivable that the differences would not have been unreasonably high if we had reversed the statement, and that the new fitness club was 20 minutes further away.

In this present research, decisions regarding analysis were fully due to answering the hypothesis. However, the computed variables can be encoded in several different ways, therefore, they can generate different results compared to what has been constructed.

Statements designed to measure sense of power may have been too general, as the data displayed a high mean without any large variation between the respondents. Subsequently, studying the formulation of the questions, it is reasonable to assume the statements became too vague and suggest that respondents are liberal and that humans can make their own decisions. Hence, the questions should have been adapted and tailored to the fitness club context in a more distinct manner. For example, the questions could have been formulated to what extent the respondent felt the power to negotiate, the power to demand more, and the power to get a cheaper price (Menon & Bansal, 2007).

In this study, expertise is largely measured from a usage perspective. Although Thompson (2005) apply product usage to measure expertise, it is conceivable that the assumption of high usage equals to higher expertise, and low usage equals to lower expertise, are not necessarily applicable in reality. Hence, more traditional expertise measures using Likert-scale could have resulted in different findings. Another method could have been to use both measurements, thus obtaining information on both objective and subjective knowledge. Research has showed that people tend to overestimate their own knowledge (Raju, Lonial, & Mangold, 2015).

Aforementioned, an actual price for the fitness club could have been preferred. The subjects expected price and their fair price estimates may have influenced each other, and therefore, affected the results. This could be a contributing factor in the study finding no significant relationship for the distance between expected price and fair price, and any of the independent variables.

7.0 Future research

An opportunity exists to examine power in ways that go beyond the present findings of switching costs and expertise. As the analysis displays differences between expertise and switching cost, it would also be interesting to study the effect on the sense of power, expected quality, fair price, with other sources of power (e.g. Coercive, legitimate, referent power, reward and informational power) (French & Raven, 1959; Raven, 1965). An example of how to apply coercive power (the power to threaten or punish someone) can be:

“You are an important customer for this company and the majority of their income is dependent on you. If you decide to exit this customer relationship and switch to another provider, the current service providers will face financial problems”.

Additionally, information is another source of power that can be utilized by researchers in the future (Raven, 1965). In this case, the researchers could create a three-level stimulus with low information, medium information, and a high amount of information that is crucial to determining the quality of the service provider. By doing so, the stimuli can create an information asymmetry between

buyers and sellers, which potentially leads to differences in willingness-to-pay between the groups (Akerlof, 1978). In both cases, it would be interesting to see if there are any differences between the type of power and if some combination of power enhances the effect even further.

Future research should operationalize sense of power in a different manner, as the output from the analysis suggested little variance between the respondents' answers on their felt sense of power. The item scales regarding sense of power were not sufficiently adapted to the service context, suggesting other customized scales can be adopted towards measuring sense of power in the future (e.g. Anderson and Galinsky (2006) eighth item sense of power scale). Further scale-development efforts to measure customers' sense of power are also encouraged in future studies.

A more nuanced and detailed manipulation of switching costs should be conducted. Although the findings failed to establish a link between switching costs, expected quality and fair price, we cannot rule out that the relationship exists due to weak manipulation. This study does not consider what kind of switching cost the respondents felt. Hence, respondents should in the future be exposed to specific switching costs to achieve the desired effect of the manipulation (e.g. search costs, transaction costs, learning costs, loyal customer discounts, customer habits, emotional cost). Almquist, Senior, and Bloch (2016), identify 30 different “elements of value” that contribute to customers' perceived value of a product or a service. Almquist et al. (2016) further state that the right combination of these elements leads to stronger customer loyalty, greater consumer willingness to try a particular brand, and sustained revenue growth. Thus, we suggest utilizing a conjoint analysis to investigate how different combinations of elements interact with different types of power. It would be interesting to see how trade-offs would affect the relationship, meaning that the attributes do not have to be unambiguously positive (e.g. more equipment but longer travel, or shorter travel but higher price).

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9.0 Appendices

Appendix 1: Survey

Start of Block: Intro

Intro Dear participant. We are two master graduates in our final year in Strategic Marketing Management at BI Norwegian Business School. With reference to our master`s thesis, we need participants for our survey. The purpose of the survey is to gather information related to see what characteristics fitness clubs should implement when opening new facilities. We want to investigate which factors potential customers emphasize when deciding on their preferred training facility. If you choose to participate in the survey, you will be presented with some pictures and a short paragraph with information regarding a fictive fitness club. After, you will be asked to fill in a short questionnaire. It takes about 5 minutes to answer all the questions. Everything published in this study will be anonymized so that nothing can be traced back to individuals. All data will be treated confidentially and only average response of many participants will only be included in the master's thesis. There are no correct or wrong answers to any of the questions, it is your subjective opinion that is important for the survey. Thank you in advance for your participation!

End of Block: Intro

Start of Block: Expertise

Q11 How long have you been a member of a fitness club?

Years _____

Q12 How often do you normally work out each month at the fitness club?

Q13 How many different fitness clubs have you been a member of?

Q32 How would you rate your knowledge when it comes to fitness clubs?

- 1 - Very low (1)
 - 2 (2)
 - 3 (3)
 - 4 (4)
 - 5 (5)
 - 6 (6)
 - 7 - Very high (7)
-

Q14 How important is it that the fitness club offers personal trainer services?

- 1 - Not at all important (1)
 - 2 (2)
 - 3 (3)
 - 4 (4)
 - 5 (5)
 - 6 (6)
 - 7 - Extremely important (7)
-

Q15 This is an attention check, please answer 6

- 1 - Not at all important (1)
 - 2 (2)
 - 3 (3)
 - 4 (4)
 - 5 (5)
 - 6 (6)
 - 7 - Extremely important (7)
-

Q16 How important is it that the fitness club offers group exercise classes such as spinning, yoga, crossfit, bodypump etc.

- 1- Not at all important (1)
 - 2 (2)
 - 3 (3)
 - 4 (4)
 - 5 (5)
 - 6 (6)
 - 7 - Extremely important (7)
-

Q17 Do you use or have you ever used a training program, if so, how did you find it?

- Never used one (1)
- Made it myself (2)
- Personal trainer (3)
- Friends and family (4)
- Forums, youtube etc (5)
- Other (6)

End of Block: Expertise

Start of Block: Manipulation switching costs

Display This Question:

If Condition = 1

Q12 A new training facility is about to open near you. This center is a much needed fitness center as there is currently a shortage of fitness center nearby. The new fitness center will conveniently save you a 20-minute walk for you to complete a workout.

Display This Question:

If Condition = 2

Q43 A new training facility is about to open near you. The new fitness center is one of many fitness clubs located near you and that has the same offerings as the other fitness clubs in your area. As of now, you already have three different fitness clubs within walking distance.

Display This Question:

If Condition = 1

Q40

Finally, a new gym opens near you!

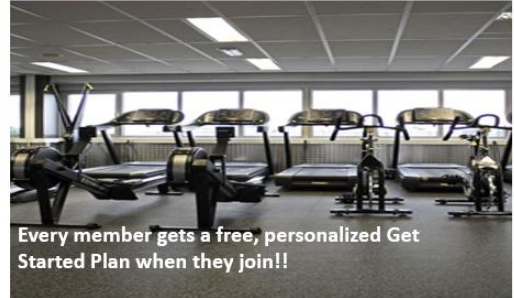
In our modern fitness club our members can experience group sessions, no lockdown, open 24/7, wardrobe, shower & sauna, the newest training equipment, personal trainer, nutrition physiologist & physiotherapy.

Our goals

- HELP YOU FIND YOUR STARTING POINT
- BUILD YOUR PATH TO SUCCESS
- SHOW YOU THE ROPES
- BE WITH YOU EVERY STEP OF THE WAY



- We've got all the equipment you need to sprint, jog or walk your way to your fitness goals. We're cheering for you!
- Bulk up, trim down, or just rock out to your favorite playlist. Our free weights, shiny machines, and cutting-edge equipment are the gear to get you there.



Every member gets a free, personalized Get Started Plan when they join!!

Display This Question:

If Condition = 1

Q36

Equipment we offer:

- | | |
|-------------------|-----------------------|
| • Treadmills | • Racks |
| • Ellipticals | • Synergy 360 systems |
| • Exercise cycles | • Cable crossovers |
| • Stair climbers | • Kettlebells |
| • Rowing machines | • Lateral x trainers |
| • Free weights | • Amt crosstrainers |

Display This Question:

If Condition = 2

Q44

A new gym opens near you!

In our modern fitness club our members can experience group sessions, no lockdown, open 24/7, wardrobe, shower & sauna, the newest training equipment, personal trainer, nutrition physiologist & physiotherapy.



- We've got all the equipment you need to sprint, jog or walk your way to your fitness goals. We're cheering for you!
- Bulk up, trim down, or just rock out to your favorite playlist. Our free weights, shiny machines, and cutting-edge equipment are the gear to get you there.

Our goals

- HELP YOU FIND YOUR STARTING POINT
- BUILD YOUR PATH TO SUCCESS
- SHOW YOU THE ROPES
- BE WITH YOU EVERY STEP OF THE WAY



Display This Question:

If Condition = 2

Q45

Equipment we offer:

- | | |
|-------------------|-----------------------|
| • Treadmills | • Racks |
| • Ellipticals | • Synergy 360 systems |
| • Exercise cycles | • Cable crossovers |
| • Stair climbers | • Kettlebells |
| • Rowing machines | • Lateral x trainers |
| • Free weights | • Amt crosstrainers |

End of Block: Manipulation switching costs

Start of Block: Sense of power

Q49 Based on the presented fitness club, we want you to consider these various statements:

Q18 I feel I have the power to freely choose my fitness club?

- 1 - Strongly disagree (1)
 - 2 (2)
 - 3 (3)
 - 4 (4)
 - 5 (5)
 - 6 (6)
 - 7 - Strongly agree (7)
-

Q15 I think I have a great deal of power to influence my choice when choosing a fitness club.

- 1 - Strongly disagree (1)
 - 2 (2)
 - 3 (3)
 - 4 (4)
 - 5 (5)
 - 6 (6)
 - 7 - Strongly agree (7)
-

Q16 I feel forced to choose a specific fitness club.

- 1 - Strongly disagree (1)
- 2 (2)
- 3 (3)
- 4 (4)
- 5 (5)
- 6 (6)
- 7 - Strongly agree (7)

End of Block: Sense of power

Start of Block: Expected quality

Q18 How well do you think **this** fitness club compares with **your ideal** fitness club?

- 1 - Not well at all (1)
 - 2 (2)
 - 3 (3)
 - 4 (4)
 - 5 (5)
 - 6 (6)
 - 7 - Extremely well (7)
-

Q19 My expectation regarding this fitness club is high.

- 1 - Strongly disagree (1)
 - 2 (2)
 - 3 (3)
 - 4 (4)
 - 5 (5)
 - 6 (6)
 - 7 - Strongly agree (7)
-

Q21 I believe that the service offerings at this fitness club meet my expectations.

- 1 - Strongly disagree (1)
 - 2 (2)
 - 3 (3)
 - 4 (4)
 - 5 (5)
 - 6 (6)
 - 7 - Strongly agree (7)
-

Q22 I feel good about what this fitness club offers to its customers.

- 1 - Strongly disagree (1)
 - 2 (2)
 - 3 (3)
 - 4 (4)
 - 5 (5)
 - 6 (6)
 - 7 - Strongly agree (7)
-

Q23 I believe this operator will do a good job of satisfying my needs.

- 1 - Strongly disagree (1)
 - 2 (2)
 - 3 (3)
 - 4 (4)
 - 5 (5)
 - 6 (6)
 - 7 - Strongly agree (7)
-

Q20 I expect the quality of the fitness club to be low.

- 1 - Strongly disagree (1)
- 2 (2)
- 3 (3)
- 4 (4)
- 5 (5)
- 6 (6)
- 7 - Strongly agree (7)

End of Block: Expected quality

Start of Block: Fair price

Q24 What do you expect the monthly price of the membership to be? (Please answer in Dollar)

—

Q25 What do you feel would be a fair price for the fitness club to charge their members each month? (Please answer in Dollar)

—

Q26 Based on your previous answer, how much of the price should be profit for the fitness club? (Please answer in Dollar)

—

Q27 How confident are you about your fair price estimation?

- 1 - Not confident at all (1)
 - 2 (2)
 - 3 (3)
 - 4 (4)
 - 5 (5)
 - 6 (6)
 - 7 - Very confident (7)
-

Q28 This is an attention check, please answer 3.

- 1 - Not confident at all (1)
 - 2 (2)
 - 3 (3)
 - 4 (4)
 - 5 (5)
 - 6 (6)
 - 7 - Very confident (7)
-

Q29 I am concerned that the membership will not be worth the money.

- 1 - Strongly disagree (1)
 - 2 (2)
 - 3 (3)
 - 4 (4)
 - 5 (5)
 - 6 (6)
 - 7 - Strongly agree (7)
-

Q30 I believe that the fitness club will charge a reasonable price.

- 1 - Strongly disagree (1)
 - 2 (2)
 - 3 (3)
 - 4 (4)
 - 5 (5)
 - 6 (6)
 - 7 - Strongly agree (7)
-

Q38 It will be challenging for you to subscribe to this fitness club.

- 1 - Strongly disagree (1)
- 2 (2)
- 3 (3)
- 4 (4)
- 5 (5)
- 6 (6)
- 7 - Strongly agree (7)

End of Block: Fair price

Start of Block: Demographics

Q44 What is your gender?

- Female (1)
 - Male (2)
 - Other (3)
-

Q45 How old are you?

- Younger than 18 (1)
- 18 - 29 (2)
- 30 - 39 (3)
- 40 - 49 (4)
- 50 - 59 (5)
- Older than 60 (6)

Appendix 2: Communalities and anti-image correlation

Communalities

| | Initial | Extraction |
|---|---------|------------|
| How long have you been a member of a fitness club? - Years | 1,000 | ,677 |
| How often do you normally work out each month at the fitness club? | 1,000 | ,493 |
| How many different fitness clubs have you been a member of? | 1,000 | ,592 |
| How would you rate your knowledge when it comes to fitness clubs? | 1,000 | ,628 |
| I feel I have the power to freely choose my fitness club? | 1,000 | ,772 |
| I think I have a great deal of power to influence my choice when choosing a fitness club. | 1,000 | ,778 |
| I feel forced to choose a specific fitness club. | 1,000 | ,559 |
| How well do you think this fitness club compares with your ideal fitness club? | 1,000 | ,807 |
| My expectation regarding this fitness club is high. | 1,000 | ,792 |
| I believe that the service offerings at this fitness club meet my expectations. | 1,000 | ,789 |
| I feel good about what this fitness club offers to its customers. | 1,000 | ,804 |
| I believe this operator will do a good job of satisfying my needs. | 1,000 | ,809 |
| I expect the quality of the fitness club to be low. | 1,000 | ,463 |
| I am concerned that the membership will not be worth the money. | 1,000 | ,716 |
| Fairprice2switched | 1,000 | ,600 |

Extraction Method: Principal Component Analysis.

Measures of Sampling Adequacy (MSA)

| | | |
|------------------------|---|------|
| Anti-image Correlation | How long have you been a member of a fitness club? - Years | ,713 |
| | How often do you normally work out each month at the fitness club? | ,766 |
| | How many different fitness clubs have you been a member of? | ,728 |
| | How would you rate your knowledge when it comes to fitness clubs? | ,789 |
| | I feel I have the power to freely choose my fitness club? | ,651 |
| | I think I have a great deal of power to influence my choice when choosing a fitness club. | ,632 |
| | I feel forced to choose a specific fitness club. | ,655 |
| | How well do you think this fitness club compares with your ideal fitness club? | ,856 |
| | My expectation regarding this fitness club is high. | ,875 |
| | I believe that the service offerings at this fitness club meet my expectations. | ,919 |
| | I feel good about what this fitness club offers to its customers. | ,857 |
| | I believe this operator will do a good job of satisfying my needs. | ,838 |
| | I expect the quality of the fitness club to be low. | ,861 |
| | I am concerned that the membership will not be worth the money. | ,587 |
| | Fairprice2switched | ,580 |