

Is Honesty the Best Policy?
Examining the Role of Price and Supply Chain Transparency in Fashion Marketing

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Background and Objective

Transparency is one of the most prominent demands from consumers today. A study shows that 42% of millennials say they want to know what goes into products and how they are made before they purchase them (Amed et al., 2018). Fashion brands, such as Patagonia, Everlane, and Arket, are responding to this demand for transparency by sharing information on the cost-breakdown of products and manufacturing processes. Research shows that for proactive companies, transparency can become a vital tool for product, process, and business model innovation (Singh, 2015). Nonetheless, little is known about the role of transparency and how it affects consumers' purchase intentions and perceptions of a brand. The purpose of this study is to investigate how consumers react to companies who provide price or supply chain transparency, *ceteris paribus*.

Literature Review

Price transparency exists when a company shares information about its quoted prices with customers in a clear and comprehensive way (Diller, 1997). Such information may include price-setting, price-changing, or cost-breakdown information (Ferguson, 2014). Previous research suggests that price transparency results in increased trust and brand loyalty (Simintiras et al., 2015), which are fundamental factors that form brand equity (Aaker, 1991). Moreover, people may prefer to purchase products from companies that disclose pricing information over those who do not as transparent companies seem more genuine, trustworthy, and reliable (Bertini & Gourville, 2012). Since price transparency affects price satisfaction (Matzler et al., 2006), consumers are also likely to be happier with their purchase decision. Hence, it is hypothesized that *price transparency positively affects brand equity (H1a) and consumers' purchase intentions for brands that offer price transparency (H1b)*.

Supply chain transparency is said to exist when a company discloses information about the supply chain system or the manufacturing process of a business' products. Similar to having transparent pricing information, Strutnin (2008) argued that transparent supply chain helps build customer loyalty and brand image and is important for assuring product quality and safety. Bhaduri and Ha-Brookshire (2011) also asserted that consumers "feel a lot better" if the products have transparent information and business practice and were willing to pay a higher price for such product. These advantages will translate into added benefits that help distinguish the brand from its counterparts. Consequently, we hypothesize that *supply chain transparency positively affects brand equity (H2a) and consumers' purchase intentions (H2b)*.

Consumers who engage in socially conscious purchasing (SCP) behavior are known to search and reward companies whose principles and products reinforce ethical or environmentally driven consumption (Singh, 2015). Given this notion, it can be assumed that consumers who exhibit SCP behavior will be more receptive towards companies that disclose information regarding cost and sourcing decisions since these companies are perceived to be transparent, trustworthy, and ethical. Therefore, we posit a *moderation effect SCP behavior on the positive relationships between price transparency (H3a) and supply chain transparency (H3b) and consumers' purchase intentions.*

Method

Data were collected from 121 American consumers aged 18 years or older through MTurk. An experiment with a total of three scenarios using a fictitious fashion brand was developed. Each scenario included a brief description of the fictitious fashion brand and its product – 100% cashmere sweater. The control group received no information about the cashmere sweater's price and supply chain. For the treatment group on price transparency, a cost-breakdown diagram for the cashmere sweater was displayed. For the supply chain transparency group, information about the sweater's manufacturer including the location and history of the factory was revealed. All measurements (e.g., brand equity, purchase intention, SCP) had acceptable reliabilities. T-test and moderation regression analyses were conducted, and the results are summarized in Tables 1 and 2.

Results

Table 1. T-test Results

<i>Hypothesis</i>	<i>Group</i>	<i>Dependent Variable</i>	<i>N</i>	<i>Mean</i>	<i>SD</i>	<i>t-value</i>	<i>p-value</i>
H1a	Control	Brand	41	3.38	1.42	3.75	.00***
Supported	Price Transparency	Equity	42	4.49	1.26		
H1b	Control	Purchase	41	3.29	1.68	2.73	.01**
Supported	Price Transparency	Intention	42	4.25	1.52		
H2a	Control	Brand	41	3.38	1.42	3.89	.00***
Supported	Supply Chain Transparency	Equity	38	4.58	1.31		
H2b	Control	Purchase	41	3.29	1.68	2.48	.02*
Supported	Supply Chain Transparency	Intention	38	4.22	1.63		

Table 2. Moderated Regression Results

	<i>Moderation</i>	<i>R²</i>	<i>F change</i>	<i>Sig. F change</i>
H3a	Model 1 (main)	.22	14.42	.00***
Not supported	Model 2 (interaction)	.23	.92	.34
H3b	Model 1 (main)	.16	7.60	.01**
Not supported	Model 2 (interaction)	.16	.34	.56

Note: *p<.05, **p<.01, ***p<.001

Discussion and Implications

The findings suggest that both price transparency and supply chain transparency positively affect the overall brand equity and consumers' purchase intentions (H1a, H1b, H2a, H2b). That is, the mere presence of information related to price and manufacturer prompts consumers to prefer the brand and its product over other brands when all other conditions remain the same. Another finding indicates that consumers who exhibit socially conscious purchasing behavior are not particularly more receptive to transparency (H3a & H3b). This implies that transparency is important for all consumers, regardless of their socially conscious purchasing tendencies. Theoretically, this study extends our current understanding on the role of transparency in fashion marketing and also suggests that brand transparency may be another key dimension of brand equity. Marketers of fashion brand should not be hesitant to reveal detailed information about cost-breakdown or manufacturer information. Future studies can test whether the degree of transparency and perceived price fairness or perceived ethicality of the information disclosed by the company affects purchase intentions for the brand.

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