

# Common Grace and Price Discrimination: A Motivation toward Authentic Relationship

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God bestowed common grace on his creation and called his people to carry it out as a ministry. In this article, the authors discuss how a common grace framework calls us to critically examine the underlying philosophies that guide marketing practice. Several common approaches to pricing will be presented and the philosophy of “authentic relationship” will be introduced and defined. In this article, we focus on how adopting an authentic relationship approach could influence decisions about price discrimination. Marketers who seek authentic relationships with customers participate in common grace ministry by meeting the needs of Christians as well as non-Christians. They can protect creation and find common ground between secular and Christian actions. By valuing authentic relationships, marketers can avoid an uneven power distribution in exchanges and help customers set realistic expectations about pricing strategies. Such changes in pricing practices and communication enables human flourishing.

## Introduction

The doctrine of common grace has been explored by Christians for centuries as an explanation of how God bestows blessings on all people, including both Christians and non-Christians.<sup>1</sup> According to James Bratt, through common grace,

God, though not saving all people, does shed abroad for each and all a restraint of the full effects of sin, plus a capacity for everyone to come to a certain measure of ordinary (“civic”) virtue and perceptive truth. Common grace not only makes society possible but makes it possible for Christians usually to live in society alongside people who don’t know or outright reject Christian teaching.<sup>2</sup>

Common grace helps us to see that the fruit of Christian convictions can lead to a common good that is sought by both believers and nonbelievers.<sup>3</sup> We refer to this common good as *shalom*. According to Neal Plantinga, it is “a rich state of affairs in which natural needs are satisfied and natural gifts fruitfully employed, all under the arch of God’s love. Shalom, in other words, is the way things are supposed to be.”<sup>4</sup>

Much of the modern concept and discussion of common grace traces its roots to the work of the Dutch scholar Abraham Kuyper. Although Kuyper’s writings were addressed to those at work from the 1870s to the 1920s, his ideas are relevant to today’s business practices. In this article, we explore what Kuyper might have to say about the connection of common grace to modern marketing practices in our Internet age. Specifically, this article will address how common grace can motivate us to find a better philosophical approach to setting prices as marketers. After introducing this approach, we will explain how it is able to be used in practice to make decisions related to discriminatory pricing. By changing our approach to pricing decisions, Christians in marketing can make decisions that will bring about the common good. In the remainder of this article, we will review several different philosophical approaches to pricing, including the introduction of the philosophical approach we call authentic relationship. We will then discuss the connection between common grace and authentic relationship and explore how a company’s approach to price discrimination might play out when adopting an authentic relationship philosophy.

## Common Grace as Motivation

Christians should seek ways to engage with a secular world while remaining faithful to biblical principles. Kuyper wrote about these challenges and the tension that exists between biblical faithfulness for which believers strive and the work for incremental positive change in society.<sup>5</sup> Like Kuyper, we believe that all spheres of our society, including business, fall under the sovereignty of Christ.<sup>6</sup> Marketers who recognize this sovereignty serve Christ as directed by Paul in Colossians 3:23 when he says, “Whatever you do, work at it with all your heart, as working for the Lord, not for human masters.” Yet we operate with this call in a fallen business world. Opportunities that are either clearly sinful or quite ambiguous abound. In this environment, a deeper understanding of common grace can allow and can motivate marketers to reframe approaches that successfully navigate the tensions and more effectively contribute to shalom.

Common grace motivates us because it is a call to action. Bratt contends that common grace acknowledges the capacity in everyone to *exercise* civic virtues

and truth.<sup>7</sup> Kuyper held that by common grace God restrains the curse in the world and “instead of monastic flight *from* the world, the duty is now emphasized of serving God *in* the world, in every position in life.”<sup>8</sup> Common grace is not simply to be observed by believers as a passive exchange between God and humankind. It can be a ministry, a way in which “God can use us to restrain the power of sin in the larger human community and to perform our own works of civic good.”<sup>9</sup> Common grace ministries are needed in every area of life as Christians seek to advance shalom through the active transformation of society.<sup>10</sup>

The common grace framework can serve as motivation for Christians in business to pursue the civic good in their marketplace work with courage as active agents in the transformation of society for Christ. One important application of common grace can move marketers from traditional philosophies in marketing and pricing to creating a new philosophy that improves the condition of people. This new approach, first and foremost, focuses on the customer’s long-term well-being. In this way, Christians fulfill the biblical imperative to love our neighbors as ourselves through marketing philosophy and practices.

Marketers seek to find practical ways in which to participate in common grace ministries. While common grace ministries can motivate us to change our marketing practices as a whole, in this article, we focus on the specific practice of price discrimination that has become more widely used due to recent advances in technology.

## Pricing and Price Discrimination

This article focuses on one of the most critical decisions that marketers must face—price. Through price all other aspects of marketing effort are turned into revenue for the company. The price of a product in large measure affects the company’s competitive position, the quantity of product demanded, and its net profits. Price also plays a critical role in the economy because it provides information necessary for markets to work efficiently. Price determines levels of supply and demand within a market as well as influencing wages, rent, interest, and profits.<sup>11</sup> Yet, from a Christian standpoint, pricing decisions remain among the most difficult to address. The field of economics assumes that pricing is a science to be carried out through prescribed procedures and processes. In practice, it is more of an art in which marketers have the responsibility to make ethical decisions with numerous available options.<sup>12</sup>

One of the areas in which marketers make decisions is in the use of price discrimination. Price discrimination, according to Murphy and others, occurs when a company sells “a product of like grade and quality to different consumers for

different prices.”<sup>13</sup> Philips adds a helpful clarification that price discrimination only occurs when products are sold to “two buyers at different *net* prices, the net price being the price (paid by the buyer) corrected for the cost associated with the product differentiation.”<sup>14</sup> Different transportation, storage, and product models may lead to different buyer prices for a product without necessarily being price discriminatory. In a given day, an automobile dealer may sell two new cars to two different buyers with one car being sold for \$1,000 more than the other. If the higher-priced car had to be brought in from another dealer and transporting the car cost the seller \$1,000, then price discrimination has not occurred. Price discrimination occurs when the net price varies despite the same product costs.

Some forms of price discrimination are illegal. Under the Robinson-Patman Act, it is illegal for a company to use price discrimination when selling the same product to customers who are in competition with one another. This situation generally occurs only when selling from business to business. Business-to-consumer transactions generally do not fall under the Robinson-Patman Act.<sup>15</sup> We will focus only on business-to-consumer transactions in which price discrimination, while under more recent scrutiny, is still legal.

Examples of price discrimination can be found in automobile sales. When purchasing the exact same car, two buyers may pay different prices. A similar situation is common with seats on an airplane.

Advances in technology have made price discrimination more common. For example, the use of e-mail to distribute coupons makes it very easy for a company to offer different discounts to different customers based on a variety of customer characteristics.

Pigou distinguished three types of price discrimination.<sup>16</sup> In the case of first-degree or perfect discrimination, a seller would charge each buyer the maximum amount that she was willing to pay for a product. Second-degree discrimination occurs when a few different price points are determined for a given product and buyers purchase at one of the price levels. A concert venue, for example, sells concert tickets for \$25, \$40, and \$65 depending on proximity to the stage. Third-degree discrimination generally refers to spatial pricing where pricing varies by location. If the differences in price are not a direct reflection of the cost to distribute to different locations, then price discrimination has occurred.<sup>17</sup>

Historically, first-degree price discrimination was thought to be only of academic interest because of the difficulty of determining the maximum price that each buyer was willing to pay and then charging him that price. However, due to advances in technology, marketers are able to adopt pricing strategies that are more closely aligned with this type of discrimination. For example,

web-based pricing tools are being used by some businesses to gather information about customers based on their browsing history, which the business then uses to determine the amount that the customer would be willing to pay for specific items. In 2000, customers became upset with Amazon.com when it was discovered that Amazon was charging lower prices to new customers than to established customers for the same product. Amazon responded by stating they were only running a test and quickly refunded money to people who had been charged more.<sup>18</sup> Similarly in 2012, Staples reportedly charged different prices on their website to different customers using location-based technology. Customers who were closer to a competitor's brick-and-mortar store when searching online were offered a lower price.<sup>19</sup>

Christians trying to exercise biblical faithfulness in marketing may find themselves in challenging situations when trying to decide which characteristics are appropriate bases for adjusting prices and whether or not customers should be educated about such practices. The ethics of these price discrimination tactics can be complex. There is evidence that customers desire and expect a one-price strategy partly to avoid what they would perceive as unjust price discrimination. A recent study by Maxwell and Garbarino found that while customers expect that different retailers will charge different prices for the same product, they believe that the same retailers should charge everyone the same price for the same product.<sup>20</sup> These customers were disapproving of Internet retailers who charge more to certain customers than others. Some companies have embraced a one-price strategy in response to these customer expectations. For example, furniture retailer Ethan Allen maintains a one-price policy where a particular item is priced the same in all of its US stores.<sup>21</sup>

However, charging everyone the same price presents its own challenges. A common theme found in the Scriptures is that we are to serve and care for the poor (cf. Prov. 14:21; Matt. 19:21). This mandate may be seen by some as a justification for charging lower prices to those who are less able to pay, for example, when lower prices are charged for pharmaceuticals in developing world contexts. However, price discrimination based on other factors such as whether or not you are a new customer or where you live are not clearly addressed in Scripture. In these situations, wealthier buyers may be able to secure lower prices than poorer buyers. In the Staples example mentioned above, buyers making purchases online who live in urban areas may be given lower prices than those with a lower income who live in rural areas because the individuals living in urban areas probably live closer to competitor's stores.

A common grace approach should prompt us to reconcile these tensions. To do so, it is helpful to consider the philosophy that drives strategic pricing decisions and to adopt a philosophical approach that aligns with Scripture (see figure 1). Our guiding philosophy will influence both the strategies that we choose and the implementation tactics we adopt.

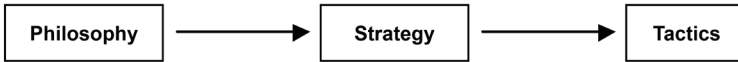


Figure 1. The Role of Pricing Philosophy

## Varied Pricing Philosophies

### The Just Price

There are several different ideas that have been used as the guiding philosophy of pricing decisions. As early as the thirteenth century, theologians and philosophers were laying the groundwork for the economic doctrine of the just price as a way to limit sinfulness, such as greed, and promote justice in transactions. During the medieval period, it was commonly believed that in order to be legitimate and ethical, prices should be set at the just price that was determined by considering the costs that went into producing a good or service and adding just enough profit to maintain the business and the merchant's station in life.<sup>22</sup> The just price represented an objective value, which was inherent in the nature of the product. The late scholastics developed these ideas beyond the medieval concept saying that the just price of products is not determined by their nature but by the extent to which they serve the needs of mankind.<sup>23</sup> According to Wim Decock, they believed that the market should determine the just price of an item and that this estimation should be made by "prudent, good, and intelligent men."<sup>24</sup> Their goal was to limit the role of passions and arbitrary whims to protect individuals from being exploited in an exchange. A similar but more current perspective of the just price states that the just price is a price that is set by a just person, given that a just person is one who seeks to promote human fulfillment and the common good.<sup>25</sup> Those who adopt a just price philosophy focus on how to place reasonable value on goods and services in order to create a just exchange.

### Profit Maximization

The late scholastics were the direct forefathers of Adam Smith and modern economics that perceived price setting as more of a science that was void of moral or ethical imperatives. According to a widely accepted tradition of eco-

nomics, the goal of shareholder owned companies is to maximize long-term profit.<sup>26</sup> Under this philosophy, buyers and sellers have opposing goals.<sup>27</sup> Buyers try to find products to meet their needs and wants at the lowest possible price while firms try to sell products at the price that will maximize their profits. Both parties are thought to benefit from this transaction. Buyers have the freedom to find the best purchase price, and businesses that maximize their profits are better equipped to market products continuously to benefit society. This idea has its roots in Adam Smith's concept of the invisible hand. As individuals pursue their own self-interest, they end up creating benefits for society.<sup>28</sup> Yet the philosophy of profit maximization as the sole determinant in setting prices has been heavily scrutinized. Many observe that this has led to social wrongs such as deceptive advertising and ignoring the poor. A short-term approach to profit maximization may cause business people to make decisions that benefit only themselves at the disadvantage of others.<sup>29</sup>

### **Fair Pricing**

Some marketers have adopted a philosophy of pricing guided by general fairness. Under the fairness philosophy, pricing tactics are judged to be acceptable if they support fair competition and fair treatment of buyers and sellers.<sup>30</sup> Unfair practices include those that take advantage of buyers' limited access to information or limited time and must be avoided. For example, some may consider doubling the price of umbrellas on a rainy day to be unfair to customers because doing so takes advantage of customers when their need is greatest. One of the concerns with using fairness as a guiding pricing philosophy is that it is a relatively abstract concept that makes it difficult to apply in practice.<sup>31</sup> Additionally, it can lead to companies that shape customer perceptions of fair treatment without actually being fair.<sup>32</sup>

### **Value-Based Pricing**

A final commonly held pricing philosophy is value-based pricing. This is the most widely supported pricing philosophy by current marketing strategists. The idea behind value-based pricing is that marketers should set prices that as much as possible capture the value created by the products and services they sell. Setting prices involves understanding how much satisfied customers value a product and then communicating that value to others.<sup>33</sup> Buyer understanding is built through building relationships with customers or relationship marketing. Some ethical concerns have been raised about this approach to pricing because it implies that as long as a customer is willing to pay for an item, a marketer should charge

that price, no matter how high.<sup>34</sup> This could leave companies with an excessive profit while customers who place an illogical amount of value on a product experience financial loss. In addition, the process of value-based pricing seems to entail leaving the buyer with as little value from their purchase as is needed to induce purchase satisfaction and hopefully return for future purchases. In both of these situations, the seller is likely to acquire a disproportionate amount of benefit from the exchange.

## Authentic Relationship

Each of the pricing philosophies discussed here has its merits. However, several of these philosophies lack a full picture of what a marketer's interaction with customers should be. Businesses do need to earn a profit from their transactions with customers, and few would argue that the amount of product value placed by a customer should be ignored in price setting. However, there is something that should not be left out of the equation: a concern for reconciliation and relationship. We call this pricing philosophy *authentic relationship*, drawing from terminology used by Wong and Rae in their book *Business for the Common Good*.<sup>35</sup> This philosophy involves more than the limited approach to relationships typically assumed in the marketing field. Relationship marketing is usually defined in terms that view fulfillment of promises and satisfaction of needs as a means and greater marketing efficiency and effectiveness and ultimately improved profitability as the ends.<sup>36</sup> Authentic relationship marketing is based on caring for the individual, not on increasing long-term profitability. With the authentic relationship approach one seeks to set prices in ways that serve the customer's well-being first—to improve their lot in life as the end and to use all the creative power and innovative capacity of business to serve the customer in a way that is profitable and sustainable. It should be noted that serving the customer's well-being does not necessarily entail always charging the lowest possible price. Sometimes charging a higher price allows a company to grow and more effectively meet customer needs. Yet, when adopting the authentic relationship philosophy, the role of profit shifts from being an end in itself to being a means of providing enough capital to allow a business to serve its customers.<sup>37</sup>

Authentic relationship does not invalidate all aspects of the pricing philosophies described already. It should be used in conjunction with them but it should be given priority. This means that marketers should choose tactics that develop authentic relationships even if doing so means sacrificing some profit. This principle must be balanced with the caveat that profit is necessary for business to function and for customer service. Our advocacy of authentic relationship is in line with the



paradigm shift recommended by Karns toward keeping genuine concern for others at the forefront in all business transactions.<sup>38</sup> Adopting an authentic relationship philosophy for pricing is a framework that can reconcile the tensions Christians face in the business world and support common grace ministry.

Authentic relationship has both biblical and theological foundations. The Trinity is inherently relational, and because God made humans in his image we are also inherently relational. The creation story teaches that intimate relationships existed in the garden of Eden before the fall.<sup>39</sup> Both the Trinity and the relationships in the garden provide us with an ideal standard for the types of relationships we should emulate. Relationship involves two or more parties who engage in an interaction or exchange. As God poured himself into creation and creation in turn is designed to return glory to God, other relationships involve mutuality. In such connections, two parties have concern for the benefit of each other and are generally brought together by some common insight or interest.<sup>40</sup> Relationship occurs over the course of time. It gradually develops and assumes some level of continuation. While some relationships will last a lifetime, others will have a shorter but still substantial existence.

With this understanding of relationship, the customer is assumed to be an active participant in interactions with a company. Consumers are already demonstrating a desire for an interactional relationship with companies, and the growth of social media has helped to facilitate this. For example, in 2006, Frito-Lay launched a user-generated content campaign where customers created a Doritos commercial that would air during the Super Bowl. The campaign is still being used eight years later. Thousands of customers have created commercials for this contest that have resulted in millions of social media views.<sup>41</sup>

God's example of the love he has for his creation demonstrates the importance of seeking relationships regardless of whether or not that relationship is equally sought by the other party. God, in his love, is constantly reaching out and seeking communion with us.<sup>42</sup> Following his example, we should take actions that will establish the groundwork for authentic relationship with customers, regardless of the expected return. In *The Four Loves*, C. S. Lewis refers to this idea when he describes the type of love he calls charity.<sup>43</sup> Charity is the greatest form of love because it is a love given to others not only because they are lovable but also because the love of God is working through the lover. Charity does not replace other types of loves but perfects them. Similarly, a marketer can take steps that will plant the seeds for an authentic relationship whether customers choose to engage in the relationship or not. We believe the seeds for this type of relationship consist of respect, honesty, and love. Respect is needed to maintain healthy boundaries in the relationship, honesty is necessary for a trusting relationship to

develop, and love allows us to take steps toward relationship even when they are not reciprocated. Customers have a responsibility to seek out businesses that are operating in a way that invites them into an authentic relationship and engage in that relationship. However, we recognize that not all customers are motivated to engage in this way.

## **Respect**

Authentic relationship involves respecting customers. The Bible tells us that all people are created in the image of God (cf. Gen. 1:27). As God's image bearers, customers should be given the same respect we would give to our heavenly Father. This involves respecting not only a customer's physical body but also who they are as individuals, including their possessions, and their interests. God does not show favoritism for others (cf. Acts 10:34), and similarly we should not show favoritism just to our most valuable customers but instead show respect to all. Customers who offer a lower projected return on investment (ROI) to companies should be given the same respect as those who offer a high ROI.

Respect also involves maintaining appropriate boundaries. This has become more important recently as advances in technology have given businesses the ability to collect, analyze, share, and use large amounts of personal information about consumers. Customers engage in an exchange when they agree to give personal information to businesses in order to get benefits such as better personal service, the use of an app, or rewards from a frequent customer card. What makes this exchange complicated is that different customers have different expectations regarding their privacy. Because of this, marketers should exercise caution when gathering and using customer data. Often in these situations, a helpful guideline to follow is the Golden Rule: "Do to others as you would have them do to you" (Luke 6:31).

## **Honesty**

The Bible calls us to be honest. We are to rid ourselves "of all malice and all deceit, hypocrisy, envy, and slander of every kind" (1 Peter 2:1) and "not spread false reports" (Ex. 23:1–3). Developing authentic relationships with customers requires honesty from all parties in the transaction. A key element of honesty is transparency. An honest marketer will seek transparency whenever possible in their communications with customers.

Honesty is also necessary to facilitate trusting customer relationships.<sup>44</sup> Trust can only develop over time and involves marketers helping customers set realistic expectations based on adequate information and then having the competence to

meet those expectations. Trust also involves a level of vulnerability on the part of both parties. Traditionally, businesses have worked to foster trust through the use of branding and certifications; these actions are helpful, but deep and lasting trust will only develop when companies create frequent, open, humble, and generous communications with customers.<sup>45</sup> Then, ideally, customers will reciprocate with similar communication to the company.

## **Love**

Love is also a widely recognized element of Christian ethics with implications for authentic relationship marketing. Jesus says that to love God is the greatest commandment and to “love your neighbor as yourself” is the second (Matt. 22:37–39). Furthermore, we are to love in a way that involves actions, not just words (cf. 1 John 3:18). Christian love involves empathy, mercy, and self-sacrifice for others.<sup>46</sup> Empathy is sincere concern for others, mercy leads us to love our enemies, and self-sacrifice is a willingness to give away what is rightfully ours.

Charity allows us to take actions that are driven by a philosophy of authentic relationship regardless of whether customers reciprocate and engage in that relationship. Marketers who love their customers consider not only their own benefit from a transaction but also the harm or benefit that the customer will receive regardless of the customer’s lovability. Charitable love involves having a true concern for the other party for the sake of their long-term well-being. While profits are necessary for the continual functioning of the business, loving customers means not using them principally as a means to profitability. By approaching the customer relationship with respect, honesty, and love, marketers go a long way toward laying the groundwork for the development of authentic relationships with their customers.

## **Authentic Relationship as Common Grace Ministry**

Christian marketers face many challenges as they attempt to carry out these biblical mandates in the advancement of shalom. In this article, we have focused on one challenging issue, price discrimination. When faced with the ambiguities of pricing strategies, biblical foundations provide Christians with the motivation to carry out scriptural mandates in a secular business setting and faithfully implement new practices. Then common grace encourages us to seek better business practices. For pricing decisions, the better way is to adopt an authentic relationship philosophy that then serves as a common grace ministry.

Through common grace ministries, Christians creatively meet the needs of all humankind to accomplish God's purposes. Authentic relationship allows marketers to be a part of accomplishing this purpose because it is focused on meeting human needs as its priority. Caring for others is at the heart of this philosophy. This is done in part through the creation of communities where love is shown to others.

Also, through common grace, God protects his creation. Common grace restrains the effects of human sin. Adopting an authentic relationship philosophy to guide pricing decisions is a common grace ministry because biblical principles drive this approach. When pricing decisions are made based on a biblical approach, the actions of both parties will be affected. For example, when marketers are faced with the opportunity to adjust prices on generators during an extended power outage, the marketer who has adopted a value-based pricing approach could justify increasing their prices because their customers now value the product more than they did before the power outage. This approach can lead to greed and self-satisfaction at the expense of others. The authentic relationship approach helps to restrain these sins by keeping the needs of others at the forefront of the pricing decision.

Finally, common grace allows us to discover common ground between secular and Christian actions and objectives. It is apparent in current marketing practices that a philosophy of authentic relationship is not driving all pricing decisions today. However, despite this, relationships are still being built with customers and some good is coming from these interactions. A framework for common grace in these marketing interactions can help us understand these inclinations. While the intrinsic motivation on the part of Christians can be seen as a common grace ministry, nonbelievers might act in similar ways without having the same motivation or the same end in mind. For instance, secular business people might focus on their customers' long-term well-being for a variety of reasons: because they truly care about them, because they feel it is the right thing to do, or because it makes them feel better about themselves.<sup>47</sup> Alternatively, they may act in a way that fosters relationships because they believe it will provide them with higher long-term profits. In each of these situations, individuals may be shown respect, honesty, and love regardless of the motivations or goals driving the marketer. We believe it is, in effect, common grace that allows us to benefit and learn from each other. In this way, God is able to give benefits, or good gifts, to all people through believers and unbelievers. It is an uncommon way in which God delivers common grace.

Although common grace allows good to come from many different approaches to pricing, the philosophy of authentic relationship provides the best guideline to Christians who seek to serve others as best they can. With the authentic re-

lationship approach, connections with others are viewed as ends in themselves and not as means to financial profit. Profit is instead seen as an essential means to establish and sustain relationships. Moreover the ideals of honesty, respect, and love, as revealed in Scripture, are able to shape our interactions with others. The Christian marketer's framework for authentic relationship enables an active common grace ministry.

## **Authentic Relationships and Discriminatory Pricing**

Adopting the authentic relationship philosophy affects price discrimination tactics. Setting prices should build authentic relationships with all customers. Often, marketing ethics focuses on providing extra care and attention to vulnerable groups of customers (i.e., children, the elderly, the impoverished, and so forth) while other customers should adopt a "buyer beware" mentality and protect themselves. Vulnerable groups do need protecting, but authentic relationship expands the focus of concern to all customers that a business serves. If marketers are going to foster a relationship with any other party, they need to consider that party's well-being whether they are classified as vulnerable or not. When considering the marketing channel as a whole, consumers are often more dependent, less informed, and therefore more vulnerable than other members in the chain.<sup>48</sup> Marketers therefore have an obligation to take steps to protect all customers. Building authentic relationships with customers is likely to provide them with greater levels of protection.

## **Power Distribution and Pricing Transparency**

In business transactions, information provides pricing power. If a company gathers information about customers in order to charge them the maximum price they are willing to pay, they shift the bulk of the information about the transaction to the seller. This can drastically decrease the bargaining power of the buyer.<sup>49</sup> At minimum, an unequal power distribution provides greater potential for charging exorbitant prices for products. A marketer who is seeking authentic relationship with customers will avoid tactics that create uneven power distributions that favor one party significantly over another. Notably, in today's Internet-enabled marketplace, both buyers and sellers have continuous access to vast amounts of information (on competitive pricing, customer reviews, details on features, and so forth), which increases the power of both while more rapidly enabling authentic relationships due to the greater level of transparency that it creates.

Authentic relationship involves loving customers by opposing the gathering of information that puts them at a disadvantage.

In business-to-business transactions, transparency is becoming more the norm as both parties work to help each other. One company provides a valuable product to the other and captures value from their customer in return. Transparency helps both parties to receive mutual benefit from the transaction.<sup>50</sup> That same transparency should be sought in business-to-consumer transactions. Marketers who value authentic relationship will ask themselves, “What would it look like if I cooperated more with my customers?” If companies become more cooperative with their customers, their customers are likely to become more cooperative with them. As companies share more information about themselves, customers may be more willing to share information about themselves that could benefit the company. Companies should consider educating customers about how they set prices while they remain competitive. For example, if a company needs to raise their prices, they can notify customers in advance and explain why the prices are being raised. Businesses should be clear on what information they gather about customers and how it is being used in pricing decisions. Customers would then hold companies more accountable to offer discounts or raise prices based on features that customers value such as helping the disadvantaged.

Marketers could also share information such as the percent of markup they use for pricing their products. For example, retailer/wholesaler Costco strategically makes a low markup on their products and publicizes this information. Costco places emphasis on treating employees fairly, on providing good value to customers, and on promising that no product in their stores will be marked up by more than 15 percent.<sup>51</sup> Costco has even gone so far as to lower prices when they can acquire a product for less (even though the prior price was market clearing). Even companies with a larger markup or a markup that varies from customer to customer could share this information with customers if they educate them about how they are using their higher profits. An example in higher education brings to light that not all students pay the same net tuition. Financial aid is offered to some students who cannot afford to pay while others with more financial resources pay the full price. This provides access to education for many individuals who otherwise would not be able to attend college. As a result, some students pay a disproportionate share for the cost of their own and others’ educations. Colleges essentially charge a higher markup to some students in order to offer a discount to others. Educating prospective students about this system may be more likely to foster authentic relationships than if students independently discover that all are not paying the same net tuition. As access to pricing information spreads, customers are more likely to discover price discrimination practices for them-

selves. More authentic relationships will be built if a company is upfront about their pricing policies and the justification for them.

As companies become more open about their pricing policies, they may be able to include customers in setting prices. Companies are already involving customers in product development and advertising efforts. Frito-Lay has had effective customer influence on new chip flavors and its television commercials for several years. Similarly, customers could be involved in pricing decisions in general and price discrimination decisions specifically. Historically, focus groups and surveys provide the research for what customers are willing to pay for a product. Now companies could also get customer feedback on what kind of data should be collected about buyers and used in price setting, who should be given discounts (seniors, students, members of the military, and so forth), and how frequently prices should be adjusted. Asking customers for their honest input shows that a company respects individual customers and their right to privacy, builds trust through honesty, and shows love when marketers treat others the way they would want to be treated.

## **The Creation of Honest Pricing Expectations**

Authentic relationship also involves honesty and trust. A trustworthy person does not lead others to have exaggerated expectations about the nature of the relationship.<sup>52</sup> Customers expect prices to be held constant on most products based on historic marketing practices. As technology advances and marketers use it to vary prices from customer to customer, business marketers should educate customers to change those expectations. For example, Amazon has recently added a note on some products that says, “Note: This item may be available at a lower price from other sellers that are not eligible for Amazon Prime [a membership program that provides free two-day shipping].” The note contains a link to another page that lists everyone who is selling the product with selling prices and shipping costs for each seller clearly displayed. By including this note, Amazon is informing customers that the price of a product available through Amazon Prime is not necessarily the same price as the same product available through other distribution channels. This corrects a pricing assumption that most customers are likely to make if not informed otherwise.

## **Honoring Privacy Rights**

We have already suggested that businesses that gather data about customers to use in determining transaction details should inform customers of what they are collecting and how they are using it. However, marketers should also consider

whether to gather some customer information at all. Once a system has been put in place to gather customer information, it is easy for marketers to gather as much as they possibly can. However, this seems to run contrary to the ideas of respect and privacy. In an authentic relationship, marketers should respect the privacy of their customers by only gathering information that is legitimately needed by their business to provide better products to the customer.<sup>53</sup> One tool that has promise in guiding behaviors in a way that considers customer needs first is a pricing “Bill of Rights” for customers that can help determine what kinds of information to collect about customers and how it will be used in pricing decisions.<sup>54</sup> Sharing this “Bill of Rights” with customers would help them to feel more respected and trusting of the organization and thus foster authentic relationship.

## Implications

Christians who desire to adopt an authentic relationship approach to pricing as a common grace ministry should consider making some changes. The first step would be to critically examine what philosophy is guiding current pricing decisions. Often practitioners make tactical decisions without being aware of the driving philosophy behind them. Assessing the current philosophical approach will allow marketers to move toward a philosophy of authentic relationship. Once that has become the goal, then pricing decisions can be evaluated based on whether they move the company toward or away from authentic customer relationships.

Most of the academic literature does not include a critical analysis of the guiding philosophies that are driving behavior. The marketing ethics literature explores some guiding behavior, but this literature has not yet explored the implications that common grace has on the field of marketing generally and on pricing specifically. As a second step, we believe that marketers need to become aware of guiding philosophies and judge them based on a certain ethical standard.

We have explored the impact that common grace has on discriminatory pricing practices and have advocated for a new approach called authentic relationship. The framework is based on the Bible. Christian academics that teach students about the ethics surrounding discriminatory pricing will benefit from considering the importance of common grace. It can motivate those who seek to apply their faith in the workplace to find a better approach to pricing decisions and practices. Once adopted, authentic relationship may not only impact marketers’ pricing decisions but also how they develop products, promote them, and distribute them. Research and writing about the development and application of this approach is needed.



The ultimate goal of authentic relationship is to love our neighbors through serving all customers. It calls us to see customers as having value in themselves, not just value as a means to more profit. Authentic relationship is a common grace ministry through which God uses Christians to serve the needs of the world. We may also see actions that parallel those derived from an authentic relationship approach because God's common grace allows points of continuity between the secular and the sacred world. Christians can even learn from others who are taking similar actions but for different reasons. If we apply the authentic relationship philosophy to our pricing decisions, we may be able to avoid some of the price discrimination pitfalls that advancing technology has made possible, and we may ultimately contribute to shalom.

## Notes

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