

Taken for Suckers: Causal Attributions of the Consequences of Overcharging Sales Tax in Daily Deal Transactions

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Objective of Research

This research sets out to empirically examine the effects when certain types of daily deal transactions inhibit proper sales tax administration, explained through attribution and social norm theories.

Introduction

- Anecdotal evidence supports that some merchants overcharge sales tax when a merchant is not properly informed when a daily deal operator engages in dynamic pricing by offering additional discounts to negotiated price discounts offered by merchants.

Research questions

- Who bears responsibility for the overcharge - the daily deal operator(s) or merchants?
- How will subsequent consumer behavior change toward the parties for the transgression/violation?

Hypotheses

H1: Consumer participants are more likely to assign responsibility for sales tax overcharges to the merchants than the daily deal operators.

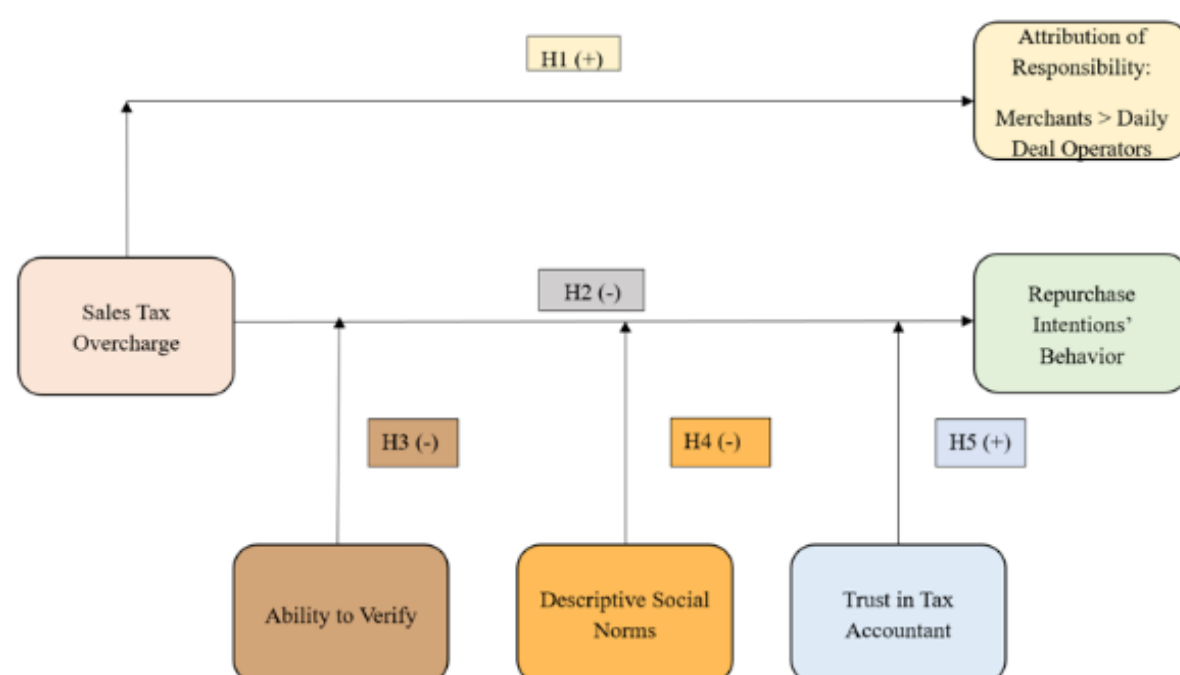
H2: Sales tax overcharges are negatively associated to consumers' intentions to repurchase from merchants.

H3: The merchants'ability to verify prices paid for additional discounts given by daily deal operators will exacerbate the negative relationship of sales tax overcharges on consumers repurchase intentions from merchants.

H4: Consumers' descriptive social norms will attenuate the negative relationship of sales tax overcharges on consumers repurchase intentions from merchants.

H5: Trust in a tax accountant's advice will weaken the negative relationship of sales tax overcharges on consumers repurchase intentions from merchants.

Figure 1 – Daily Deal Sales Tax Overcharge Model



METHODS



Self-administered online field study in a 2 x 2 x 2 between-subjects design.



Respondents were randomly split into eight different groups.

- Four groups were asked to read a hypothetical scenario whereby sales tax was overcharged (\$25 condition).
- Another four control groups read a different hypothetical scenario whereby sales tax was correctly charged (\$18.75 condition).



The four groups were further split into two groups and given an ability or inability to verify the actual price paid condition.



Following a hypothetical scenario, dependent and control variables were administered using a mix of pre-existing, modified scales.



Participants: Mechanical Turk



Administered through Qualtrics Survey



755 surveys were completed.

Results/Conclusions

- All five hypotheses are supported.
- Even though dynamic pricing is initiated by the daily deal operators, consumers are more likely to attribute causality about the sales tax overcharge to the merchants than to the daily deal operators. The lower status of the merchants would explain this attribution.
- A dichotomy exists between the recording of the sales tax overcharge by the merchant under GAAP and sales tax administration.
- The impact of the sales tax overcharges could have a detrimental impact on merchants given that they operate in local markets.
- Merchants who had the ability to verify dynamic pricing but do not are likely to be punished by consumers, even though dynamic pricing information may not be available.
- The impact of a trusted professional's advice may mitigate the negative repurchase intention impact on merchants.