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The Price Is Unfair! A Conceptual Framework of Price Fairness Perceptions

Recent news coverage on pricing portrays the importance of price fairness. This article conceptually integrates the theoretical foundations of fairness perceptions and summarizes empirical findings on price fairness. The authors identify research issues and gaps in existing knowledge on buyers' perceptions of price fairness. The article concludes with guidelines for managerial practice.

The issue of price fairness has become newsworthy as concerns about gasoline prices, prescription drug prices, physicians' retainer fees, smart vending machines, hidden fees and charges, or Amazon.com's dynamic pricing test have become public knowledge. The uproar that occurred when an Amazon.com customer discovered that the price of same-title DVDs differed across purchase occasions was a public relations nightmare for the firm (Adamy 2000). This example shows that both the price offered and the rationale for offering a certain price may lead to perceptions of price unfairness. Perceptions of price unfairness may lead to negative consequences for the seller, including buyers leaving the exchange relationship, spreading negative information, or engaging in other behaviors that damage the seller (e.g., Campbell 1999).

Why do consumers at times believe that they are being treated unfairly? Given increasing public concern, it seems appropriate to explore further the theoretical bases and empirical findings to clarify what is known about the causes of perceived price unfairness and how the perceptions influence customers' behaviors. Various conceptualizations have been developed and adapted to explain the phenomenon of fairness. However, each approach tends to address a specific reason for price fairness. For example, the dual entitlement principle emphasizes the influence of supply and demand changes and the sellers' profit orientation (Kahneman, Knetsch, and Thaler 1986b). Equity theory and distributive justice emphasize the importance of equality of outcomes between two parties in an exchange (Adams 1965; Homans 1961). In contrast, procedural justice focuses on the influence of the underlying procedures used to determine the outcomes on fairness perceptions (Thibaut and Walker 1975). In this article, we present a conceptual framework for price fairness that integrates the conceptualizations and organizes existing price fairness research. We then use the framework to identify gaps in existing research and to offer guidance for further research. As we proceed, we develop a set of propositions for new research. We conclude with some practical prescriptions for pricing managers.

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Perceived Price Fairness: The Conceptual Framework

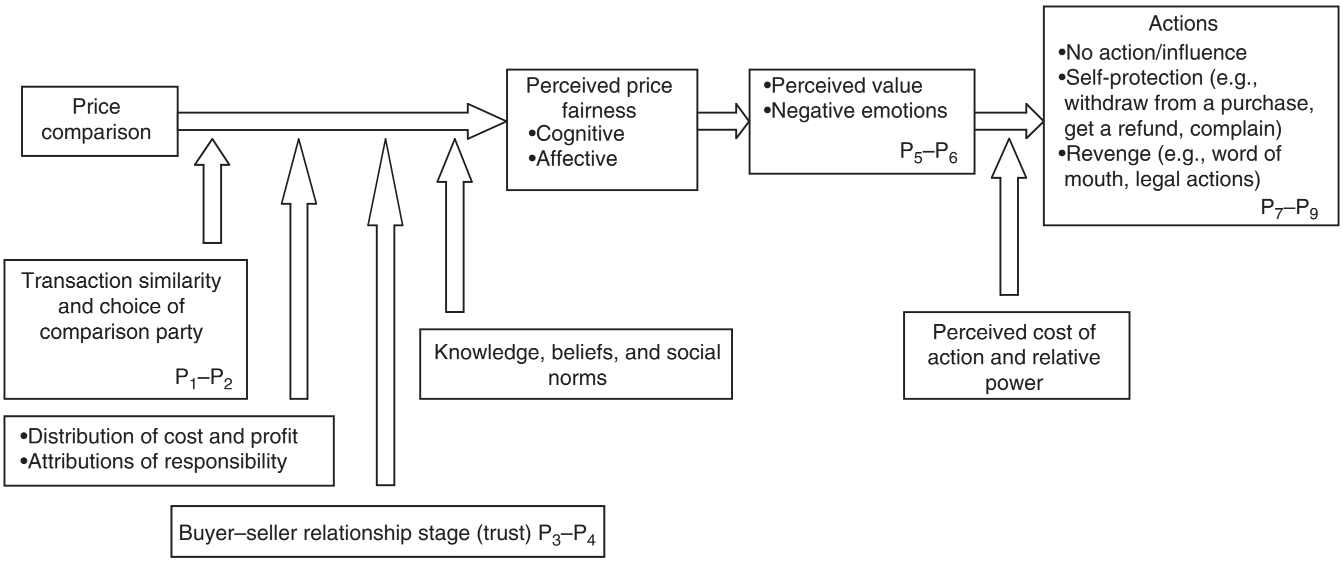
Over the years, researchers have developed and adapted various theories to obtain an understanding of when and how buyers form price fairness judgments (see the Appendix). Figure 1 illustrates our conceptual framework, the rationale for which we develop next. We begin by discussing the concept of price fairness. Then, we discuss various factors that influence price fairness perceptions at the transaction level. Finally, we discuss buyers' behavioral reactions to sellers when unfair price perceptions occur.

The Concept of Price Fairness

Previously, fairness has been defined as a judgment of whether an outcome and/or the process to reach an outcome are reasonable, acceptable, or just (e.g., Bolton, Warlop, and Alba 2003). The cognitive aspect of this definition indicates that price fairness judgments involve a comparison of a price or procedure with a pertinent standard, reference, or norm. Nevertheless, to develop the conceptual meaning of fairness, we need to make several clarifications about this construct. First, fairness and unfairness may be conceptually different constructs. It is possible to be clear about one without having clarity about the other (Finkel 2001). Notions of unfairness are typically clearer, sharper, and more concrete than notions of fairness. People know what is unfair when they see or experience it, but it is difficult to articulate what is fair.

Second, all price evaluations, including fairness assessments, are comparative. Both equity theory and the theory of distributive justice suggest that perceptions of fairness are induced when a person compares an outcome (e.g., input and output ratio) with a comparative other's outcome.

FIGURE 1
A Conceptual Framework of Price Fairness



The principle of distributive justice maintains that people, in an exchange relationship with others, are entitled to receive a reward that is proportional to what they have invested in the relationship (Homans 1961). Equity theory broadens this perspective to include various comparative others that may influence the perceived fairness of an exchange relationship (Adams 1965). A reference other may be "another person, a class of people, an organization, or the individual himself relative to his experiences from an earlier point in time" (Jacoby 1976, p. 1053). Indeed, social comparison processes are central to most theories of justice and outcome satisfaction (Major and Testa 1989). In the context of price fairness, the outcomes to be compared are prices. When the price being judged differs from the price in the reference transaction, the price difference may induce an unfairness perception. Such a price comparison is a necessary but not sufficient condition for price unfairness perceptions to occur.

It should be noted that price comparisons can be explicit as well as implicit. In explicit comparisons, people compare one price with another price or with a range of prices. For example, a consumer may claim, "I paid more than another customer did," which is a comparison between two price points, or "I paid more than I used to," which is a comparison between a price point and a price range. However, the comparison may not necessarily be explicitly stated. For example, senior citizens may claim that a price is unfair. Although this judgment seems to be based on a single price, it nevertheless is an implicit comparison to an unspecified but expected lower price that they believe they are entitled to because of their limited fixed income.

Price comparisons lead consumers to one of three types of judgments: equality, advantaged inequality, or disadvantaged inequality. A perception of price equality normally does not trigger a fairness perception, or if one is triggered, it may lead to perceived fairness. A perception of price inequality may lead to a judgment either that the price is less fair than the equal prices situation or that it is unfair.

Third, a price fairness judgment is subjective and usually is studied from the buyer's perspective. Therefore, the judgment tends to be biased by the buyer's self-interest; that is, the buyer tries to maximize his or her own outcome (i.e., tries to pay a lower price) compared with that of the other party (Oliver and Swan 1989a). Thus, the judgment and feelings associated with advantaged and disadvantaged price inequality are different. Consequently, perceived unfairness is less severe when the inequality is to the buyer's advantage than when it is to the buyer's disadvantage. That is, for an equivalent magnitude of price inequality, we expect to observe a smaller degree of perceived unfairness when the inequality is to the buyer's advantage than when it is to the buyer's disadvantage (Ordóñez, Connolly, and Coughlan 2000). Indeed, Martins (1995) finds that the perceived fairness effect of a comparable other buyer paying less is stronger than when the comparable other pays more.

Fourth, previous research has concentrated on the cognitive aspect of unfairness perceptions. We propose that affect is an important element that accompanies the cognition of price equality or inequality. A buyer may have feelings of unease or guilt when the inequality is to his or her advantage but feelings of anger or outrage when the inequality is to his or her disadvantage. These emotions may occur concurrently with the unfair cognitions, or arguably they may even precede such cognitions (Campbell 2004). Severe unfairness perceptions "typically come with heat and passion, anger, and outrage; and they insistently press for action or redress" (Finkel 2001, p. 57). This strong negative emotion is an element that distinguishes unfairness either from fairness or from less fairness. In this article, we add affect as an important element of price fairness perceptions.

Fifth, an unfairness perception and potential negative emotions usually are directed toward the party that is perceived as having caused the “unfair” situation. For price unfairness, the target of the perception and the emotions is usually the seller. Thus, the actions that buyers take when they perceive that prices are unfair are usually directed toward the seller rather than toward a comparative other buyer or the product involved in the transaction. Finally, fairness is different from satisfaction, though research has shown that the two concepts are highly correlated and are sometimes used interchangeably (Ordóñez, Connolly, and Couglan 2000). In this article, we define price fairness as a consumer’s assessment and associated emotions of whether the difference (or lack of difference) between a seller’s price and the price of a comparative other party is reasonable, acceptable, or justifiable.

Factors That Influence Unfairness Price Perceptions

Various factors may influence unfairness price perceptions. In this section, we summarize the potential factors into four groups. The factors vary in terms of relevancy and immediacy to a specific comparative transaction. The first group of factors includes the variables that specify the context of the comparative transactions. We have indicated that price comparisons, whether explicit or implicit, are a necessary but not sufficient condition for price fairness perceptions to occur. Although both distributive justice and equity theory use buyer and seller input and output ratios as comparatives, consumers usually do not know either the seller’s cost structure or other pertinent information to determine the seller’s input accurately (Bolton, Warlop, and Alba 2003). Thus, a price fairness judgment most likely is based on comparative transactions that involve different parties. When perceived price discrepancies occur, the degree of similarity between the transactions is an important element of price fairness judgments. Moreover, a fairness judgment also depends on the comparative parties involved in the transactions.

Second, in addition to information that establishes the relevant context for price fairness judgments, procedure justice theory, equity theory, and the principle of dual entitlement all indicate that information that provides reasons why a certain price is set may influence perceptions of price fairness. Previous research has shown that such information may include procedures or processes that lead to the observed prices. For example, a price increase may be caused by an increase in costs. In addition, the type of cost and whether sellers have control over the costs may influence the degree of perceived unfairness. Third, consumers may consider more than a particular transaction and make inferences based on their previous experiences. For example, a consumer who has had a good experience with a seller during repeated transactions may assume that a price increase occurs for legitimate reasons when the reason for the price increase is actually unknown. Fourth, consumers may also rely on their general knowledge or beliefs about sellers’ practices to adjust their judgments of price fairness.

These four groups of influencing factors vary in their relative scope. Transaction similarity and choice of comparative party set an immediate context for the comparative transactions. Cost–profit distributions and consumer attributions are specific to a transaction (i.e., reasons for a specific price). Then, such a transaction can be considered in a broader context of buyer–seller relationships that are based on repeated transactions. Trust is the major concept in buyer–seller relationships, and we propose that it influences fairness perceptions. Finally, we place price fairness judgments in a still broader social context and suggest that social norms and consumers’ metaknowledge of the marketplace also influence price fairness judgments. Most previous research has concentrated on cost–profit distributions or attributions, and we summarize previous research in that area. We further offer new propositions in the other areas.

Transaction similarity and choice of comparative other parties. Although social comparison research has focused on the similarity between comparative parties (Major 1994), we extend the concept to include all aspects of the two transactions. An economic transaction involves the exchange of a given product at a certain location for an agreed-on amount of money with specified terms between at least two parties. That is, transactions may vary in several ways. Transactions may occur at different times. Products may be the same type but with different brand names or with the same brand name but different models. The same product may be sold in a department store rather than a discount store or in two different department stores. Different terms might accompany the transactions, such as a seller’s price promotion or a buyer’s coupon redemption. Finally, characteristics of the parties involved also contribute to the degree of similarity between the two transactions. When another customer is the other party involved in the comparison, a person similar in age to the buyer is more comparable than a person who belongs to a different age group (e.g., child, student, senior citizen), which might be entitled to different prices (Martins 1995). Such characteristics are an integral part of the comparison, and differences in the characteristics decrease transaction similarity.

Social comparison research has reported a similarity bias, demonstrating that people tend to pay attention to the similarity between the two parties or entities being compared. Observable similarities between the two comparison entities induce people to access information that supports the similarities selectively, which leads to an assimilation effect (Mussweiler 2003). Such an assimilation effect with respect to the involved comparative parties enhances the saliency of the outcome differences that lead to a strong feeling of entitlement (Major 1994; Major and Testa 1989). However, when the dissimilarity between the two entities is obvious, people selectively access information that supports the dissimilarities, which leads to a contrast effect (Mussweiler 2003). Such a contrast effect leads to judgments that the comparative transactions or parties are not similar, which offers a natural explanation for the perceived price differences.

Although this similarity bias has been discovered in person-to-person comparisons, we argue that the same principle applies to comparisons between two transactions. For price comparisons, when the degree of similarity between the comparative transactions is relatively high, buyers have little differential information to explain a price discrepancy.

Thus, the assimilation effect leads consumers to expect or believe that they are entitled to equal prices, and they are likely to judge the price discrepancy as unfair. However, when the degree of similarity between the transactions is low, the contrast between the two transactions explains the price difference. As a result, consumers will judge the price discrepancy as fair or less unfair. Indeed, a fairness judgment may not even occur if consumers consider the two transactions incomparable.

> P_1: Given a perceived price discrepancy between two transactions, a high degree of transaction similarity leads to a high perception of price unfairness.

Many aspects of a transaction influence the similarity between two transactions and consumers' consequent price fairness perceptions. Whether and how one element (e.g., product differences) has a greater effect than another element (e.g., store differences) is an empirical issue that needs research. It has been shown that observable product differences naturally lead to quality inferences and cost attributions (Bolton, Warlop, and Alba 2003). Such inferences are likely to decrease the degree of similarity. Because the product or service is the focus of a transaction and has a direct effect on consumers' perceived value, we expect that product differences have the greatest effect on the degree of similarity and thus on price fairness perceptions.

In an application of equity theory to price comparisons, there are three types of comparative reference parties that consumers may use: self, other customers, or different organizations (e.g., stores). Indeed, each type of references has been shown to influence price fairness perceptions (Bolton, Warlop, and Alba 2003). Here, we single out the difference between self/self and self/other-customer comparisons and suggest that price fairness judgments also depend on the source of comparison as well as transaction similarity. Although self is more similar to the individual customer than is another customer, a self/self comparison may not necessarily have a greater effect on price fairness judgments than a comparison with another customer. Therefore, we focus on the relative effects of a self-comparison compared with those of other-customer comparison on perceptions of price fairness. Which reference has a greater effect on price fairness perceptions? If multiple references are available, how do customers choose one reference over another, or what is the combined effect?

Social comparison theory has identified "similar others" as the most important comparison target because of its salience (Major 1994; Wood 1989). When people estimate their own entitlement, they are most likely to choose others who are similar to themselves as the comparative other party (Wood 1989). Only when external comparison others are unavailable or not salient in the environment, or when people regard them as too dissimilar, will they make estimates of entitlement on the basis of intrapersonal (self/self) comparisons (Major 1994). In addition, comparisons with others produce a greater effect on feelings of entitlement than do self-comparisons. Research shows that social comparisons (i.e., comparisons with others) explain more variance in satisfaction than do people's individual expected outcomes (Major and Testa 1989). Moreover, only social comparisons have a significant relationship with fairness judgments (Austin, McGinn, and Susmilch 1980).

For price comparisons, we propose that given the same transaction characteristics, the other-customer comparison has the greatest effect on perceived price unfairness because of the salience of such a comparison (Major and Testa 1989). Our early research shows that given a price discrepancy, a comparison with a similar other customer leads to higher unfair perceptions. Moreover, when there is no price discrepancy, a comparison with a similar other customer leads to higher fair perceptions than does the self/self comparison (Xia and Monroe 2004).

However, similar others are not always available as comparative references, and self/self comparisons are also common. In self/self comparisons, people typically believe that they deserve the same treatment or outcomes that they have previously received. Overall, the choice of a comparative other party depends on both immediate availability and salience (Major 1994).

> P_2: Given a perceived price discrepancy and two transactions with similar characteristics, the other- (similar) customer comparison, when available, has a greater effect on price unfairness judgments than does the buyer's self-reference.

Furthermore, little research has examined the effect of multiple comparative parties. Ordóñez, Connolly, and Coughlan (2000) examine the effect of multiple external references and suggest that instead of integrating all the references, people tend to compare with each reference independently. Consistent with prospect theory, Ordóñez, Connolly, and Coughlan find that the pain of a disadvantaged inequality relative to one reference is greater than the pleasure of an advantaged inequality relative to another reference. Thus, we suggest that when both self and other customers are available as references, the reference that produces a disadvantaged inequality for the buyer has a greater impact as a result of the "loss-looms-larger" effect. However, when the two references both are advantaged or disadvantaged, the similar other-customer comparative reference has a greater effect on price unfairness perceptions than do consumers' self-comparisons.

The cost–profit distribution and attributions for the inequality. A perception that a price is unfair results not only from a perceived higher price but also from consumers' understanding of why the higher price was set. The seller's cost plays an important role in buyers' assessing of whether a price or a price increase is acceptable or fair (Bolton, Warlop, and Alba 2003). When buyers believe that sellers have increased prices to take advantage of an increase in demand or a scarcity of supply, without a corresponding increase in costs, they will perceive the new higher prices as unfair (Frey and Pommerehne 1993; Kahneman, Knetsch, and Thaler 1986a, b; Urbany, Madden, and Dickson 1989). However, an unavoidable increase in a firm's costs may make the price increase acceptable (Kahneman, Knetsch, and Thaler 1986a). Buyers will perceive a disadvantaged price inequality as more unfair if they perceive that the seller profits from the buyer's loss. For example, consumers consider a price increase for snow shovels the morning after a snowstorm unfair, but they consider an increase in grocery prices after an equivalent increase in wholesale prices not unfair (Frey and Pommerehne 1993; Kahneman, Knetsch, and Thaler 1986b).

Making the seller's costs salient reduces people's estimate of a firm's profit margin, thereby decreasing their perceptions of price unfairness (Bolton, Warlop, and Alba 2003). However, not all costs are equally legitimate (Bolton, Warlop, and Alba 2003). Price increases that result from managerially influenced cost increases are perceived as less fair than are externally caused cost increases (Vaidyanathan and Aggarwal 2003). Therefore, in addition to considering the seller's cost–price (profits) relationship, consumers may make *attributions* as to who is responsible for such an outcome, especially when there is no clear information on the seller's actual costs and profits.

Although attribution theory is not a theory of fairness per se, it provides a basis for how people rationalize an ambiguous situation (Weiner 1985). When it is ambiguous as to why an unexpected price occurred and who is responsible for it, an explanation provides people with feelings of control over their environment and serves as an adaptive function (Folkes 1990). In general, people are less motivated to seek attributions when they perceive the inequality as to their advantage than when they perceive it as to their disadvantage (Weiner 1985).

As we discussed previously, a perception of price unfairness, especially the emotional aspect of it, typically is targeted toward the seller. Therefore, buyers seek information to determine whether the seller is responsible for the situation of inequality. It has been shown that consumers respond more unfavorably if a perceived price inequality is due to a firm's volitional intentions or actions (internal locus of causality and controllability) (Bolton, Warlop, and Alba 2003; Vaidyanathan and Aggarwal 2003). Thus, we argue that when buyers seek attributions to determine whether the seller is responsible for the price inequality, they are strict with the seller out of their self-interest. That is, the seller is responsible for the perceived inequitable price unless there is evidence that shows otherwise. Therefore, if buyers perceive the seller as having control over the situation, or if the cause of the price differential is internal to the seller, then the seller is responsible. However, buyers may accept a firm's goodwill motive even when the higher price is not due to cost-related factors and is controlled by the company (Campbell 1999).

Buyer–seller relationship and trust. Moving beyond transaction-specific information of cost–profit distributions and attributions, we now examine whether a buyer–seller relationship that is built on repeated transactions over time influences fairness perceptions. A construct that is important for understanding the status of a buyer–seller relationship is trust (Morgan and Hunt 1994; Sirdeshmukh, Singh, and Sabol 2002). Trust is a multidimensional construct, defined as "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party" (Mayer, Davis, and Schoorman 1995, p. 712). Trust can be conceptualized as consisting of three dimensions: ability (i.e., skills and competencies of the trustee), benevolence (i.e., the extent to which a trustee is believed to want to do good to the truster), and integrity (i.e., the truster's perception that the trustee is honest and fulfills its promises) (Mayer, Davis, and Schoorman 1995). These dimensions are closely related and are necessary for the formation of overall trust.

We suggest that buyers' perceptions of price fairness are influenced by different dimensions of trust associated with the relationship. In the context of buyer–seller relationships, it is possible that buyers emphasize different dimensions of trust at different relationship stages. Lewicki and Bunker (1995) suggest that at an early stage of a buyer–seller relationship, the two parties are regulated by the potential benefits of their promises and/or by the costs of cheating (i.e., calculus-based trust). Over repeated interactions, the relationship develops, and the two parties begin to know each other (i.e., knowledge-based trust). At this stage, predictability is key to the relationship, and each party anticipates the actions of the other party. When the relationship is fully developed, trust is based on a full internalization of the other party's desires and intentions (i.e., identification-based trust). At this stage, the two parties "effectively understand, agree with, and endorse each other's wants" (Lewicki and Bunker 1995, p. 151). A party can be confident that its interests are fully protected by the other party. We propose that trust has a different meaning (i.e., emphasis on different dimensions) at different stages of a buyer–seller relationship. Thus, the nature of the influence of trust on price fairness perceptions may depend on the specific stage of a buyer–seller relationship.

On initial contact with the seller, buyers have no previous transaction experience with the seller. As a result, they may base their trust on the seller's reputation and contextual cues, such as store display and product assortment, or the seller's publicized goodwill to assess the cost–benefit of transacting with this seller (i.e., calculus-based). The initial trust may not necessarily be low because a buyer may choose to trust a seller until something goes wrong (McKnight, Cummings, and Chervany 1998). At this initial stage of the relationship, the important dimension of trust may be competence, because buyers may be more concerned about various aspects of a transaction, such as product quality, delivery, and return policy. For example, the seller's reputation may serve as a cue for the buyer to form initial trust. A good reputation signals competence of the seller or the seller's goodwill and serves as a buffer to buyers' potential negative attributions for a price discrepancy (Campbell 1999). A seller's good reputation may make an equal or advantaged unequal price situation seem more fair and decrease buyers' price unfairness perceptions when a disadvantaged price inequality occurs.

As repeated transactions between buyers and the seller occur, buyers gain more information about the seller's trustworthiness. Previous transaction experiences play an important role in determining trust. Thus, trust becomes more "interpersonal" and is more knowledge-based. Moreover, buyers begin to consider themselves loyal customers, and the relationship becomes an important basis for continued transactions with the seller. At this stage, the buyer knows the competence of the seller, so there is more emphasis on the benevolence dimension than on the competence dimension. The buyer is more likely to take the seller's actions "personally." Thus, for customers who believe that they have a close relationship with the seller, when the price is as expected or lower, they may perceive it as a benefit of the relationship. However, when loyal buyers pay a price that is higher than their comparative standard, they may judge the seller as having betrayed their good relationship (Sirdeshmukh, Singh, and Sabol 2002), leading to a more unfair price perception. To illustrate, Huppertz, Arenson, and Evans (1978) find that when perceived price and service inequity are high, buyers judge the situation as less fair when they have a close and frequent exchange relationship with the seller than when the exchanges are infrequent. In the context of online dynamic pricing, Garbarino and Lee (2003) find that a comparatively higher price decreases the benevolence dimension of trust but has no significant effect on the competence dimension.

Finally, when buyers and sellers enjoy a close relationship that is truly based on identification, they share each other's values, desires, and intentions. In this case, level of trust may be high on all dimensions, and "faith" is an important element in such a relationship (Rempel, Holmes, and Zanna 1985). Because of the strong attachment between the two parties, the relationship may sustain rather strong challenges (Lewicki and Bunker 1995). Therefore, the buyer's overall trust in the seller serves as a buffer to decrease the negative effect of a comparatively disadvantaged price on price unfairness perceptions. However, most business relationships remain at the calculus- or knowledge-based level without developing into an identification-based relationship (Lewicki and Bunker 1995). In summary, the influence of trust on price fairness perceptions depends on the direction of the inequality and the nature of the trust, which varies depending on the stages of the buyer–seller relationship.

> P_3: When the comparative outcome is positive or neutral (i.e., advantaged inequitable or equitable prices), trust in the seller has a positive effect on price fairness perceptions.
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> P_4: When the comparative outcome is negative (i.e., disadvantaged inequitable price), trust in the seller has a U-shaped effect on price fairness perceptions.

Social norms and metaknowledge of the marketplace. Beyond the buyer–seller relationship, consumers may draw on their general knowledge about the marketplace. As Bolton, Warlop, and Alba (2003) suggest, buyers may judge fairness at an aggregate level across a transaction space that consists of multiple dimensions. In addition, buyers' perceptions of price fairness stem both from economic comparisons and from social norm comparisons. Social norms of economic exchange are the understood rules of behavior for both buyers and sellers, and they serve as guides to behaviors of parties in exchanges (Maxwell 1999). Maxwell (1995) demonstrates that, indeed, many price fairness judgments stem from buyers' considerations of how the seller determines price and whether the price is affordable to everyone, particularly in reference to necessities such as pharmaceuticals. Therefore, consumers may also rely on their beliefs about the exchange norms to refine their price fairness judgments.

In addition, because information is more readily available in publications such as *Consumer Reports* and consumers are able to gain more information from their buying experiences, they develop knowledge of marketers' pricing tactics and of the relative cost–profit composition of a product's price. This metaknowledge, whether accurate or not, guides consumers' fairness judgments (Bolton, Warlop, and Alba 2003). However, the beliefs and metaknowledge may evolve over time (Wright 2002). A norm develops when many people engage in the same behavior regardless of the reason for the initial action (Opp 1982). Similarly, as the dual entitlement principle suggests, stability is the norm. A practice that is initially perceived as unfair may slowly spread and evolve into a new norm that is accepted by most people and is less likely to be perceived as unfair (Kahneman, Knetsch, and Thaler 1986b). For example, as the airlines' practice of dynamic pricing with yield management technology becomes accepted by most consumers, the practice is more likely to be perceived as fair (Kimes 1994). Therefore, perceived unfairness of a price or procedure may decline over time (Kachelmeier, Limberg, and Schadewald 1991). Overall, when and how social norms and consumers' general knowledge influence price fairness should be investigated in further research.

Effects of Buyers' Unfairness Perceptions

Previous research has shown that unfair price perceptions influence customer satisfaction, purchase intentions, and complaints (Campbell 1999; Huppertz, Arenson, and Evans 1978; Martins 1995). We suggest that price fairness perceptions influence assessments of product value and customer satisfaction. In addition, the perceptions generate negative discrete emotions that may vary in intensity and type. These value assessments and negative emotions are mediating variables that influence different behavioral actions, including purchase intentions, complaints, and negative word-of-mouth communications.

Perceived value. An important mediating variable of buyers' purchase intentions is their perceptions of the value of the seller's offering. Buyers' perceptions of value are mental trade-offs of what they believe they gain from a purchase with what they sacrifice by paying the price (Monroe 2003). Research has shown that buyers believe that a perceived unfair price represents a lower value than a financially equivalent fair price (Martins and Monroe 1994). Assuming that there is no perceived difference in quality or benefits received from the product or service, this reduction in perceived value must result from an increase in perceptions of monetary sacrifice (Monroe 2003). Similarly, Sinha and Batra (1999) find that perceived price unfairness increases buyers' price consciousness. Because price-conscious buyers tend to focus on the monetary sacrifice of a price, higher perceived price unfairness increases perceptions of monetary sacrifice. However, it should be recognized that the same asymmetry between advantaged and disadvantaged inequality exists here. Although a disadvantaged price inequality may lower the perceived value of an offer, an advantaged inequality may have no effect or may even decrease perceptions of monetary sacrifice (Martins 1995).

> P_5: A perceived disadvantaged price inequality increases perceptions of monetary sacrifice, thereby lowering perceived value of an offer compared with situations of equal prices or advantaged price inequality.

Negative emotions. Research shows that unfair price perceptions lead to dissatisfaction (Oliver and Swan 1989a, b). Dissatisfaction is a negative experience that is correlated with anger (Folkes, Koletsky, and Graham 1987; Storm and Storm 1987). Research also suggests that specific emotions that arise from purchase situations may be more relevant to buyers' complaint behaviors, word-of-mouth communication, switching, and repurchase than are satisfaction or dissatisfaction (Bagozzi, Gopinath, and Nyer 1999). Thus, to examine the affect dimension of price unfairness perceptions, we use a discrete emotions approach rather than dissatisfaction, and we suggest that perceived price unfairness is accompanied by various negative emotions.

An advantaged inequality may lead to feelings of uneasiness or guilt, whereas a disadvantaged inequality may induce disappointment, anger, or outrage (Austin, McGinn, and Susmilch 1980). We suggest that similar feelings occur in the context of price fairness. Emotions that accompany unfairness perceptions may vary in intensity as well as type. Although some emotions, such as uneasiness, may not lead to specific actions, some strong negative emotions, such as anger, may require a person to use coping mechanisms (Bougie, Pieters, and Zeelenberg 2003).

> P_6: An advantaged price inequality is associated with feelings of uneasiness or guilt, whereas a disadvantaged price inequality is associated with feelings of disappointment or anger.

These emotions may occur concurrently with or after the cognition of a price inequality, which leads to immediate reactions, or they may occur (or be modified) during value assessments, which lead to more deliberate actions. Aiming to reinstate a price equality condition and coping with the psychological discomfort of perceived unfairness, buyers may initiate actions to compensate themselves for the monetary sacrifices and/or to "vent" their emotions in ways that help them return to a normal emotional state. In the next section, we discuss buyers' reactions when perceived price unfairness occurs. Because the target of buyers' perceptions and emotions is the seller, buyers' reactions have consequences for the seller.

Buyers' Behavioral Reactions

Early price fairness research was motivated by the belief that perceived price unfairness constrains firms' attempts to maximize profitability (Kahneman, Knetsch, and Thaler 1986b). That is, buyers react in ways that produce negative consequences for firms, including lower purchase intentions, complaints, and negative word of mouth (Campbell 1999; Huppertz, Arenson, and Evans 1978; Martins 1995). We believe that when perceptions of unfair prices occur, buyers act to address the two elements of the outcome of their assessments. Therefore, an objective of buyers is to protect themselves financially and to seek monetary compensation. Another objective is to cope with the negative emotions that may have occurred. A perceived large price inequality motivates consumers to seek monetary compensation. In addition, the different types of emotions that arise with perceptions of unfairness induce different actions (Bougie, Pieters, and Zeelenberg 2003; Raghunathan and Pham 1999; Zeelenberg and Pieters 2004). Such responses to perceived unfairness may be viewed as coping mechanisms to restore the desired equitable situation both financially and psychologically. We now outline a set of actions that buyers may take when they perceive prices as fair or unfair. Some actions are taken mainly to address the financial issue, whereas others address the psychological issue.

It is not costless when buyers take actions to cope with a perceived inequitable situation. If they decide to leave the relationship, they may incur switching costs that include time, effort, and even money (Urbany, Madden, and Dickson 1989). In addition, when considering the actions to take, buyers may also estimate their relative power and the likelihood that they will succeed in executing the potential actions. Thus, the cost of action and relative powers between the buyer and seller moderate buyers' potential actions when they face a perceived unfair situation.

No action. In a "no-action" situation, perceived unfairness has no significant influence on buyers' planned transactions with the seller. When buyers are advantaged, the situation does not lead either to lower perceptions of value or to strong negative emotions, though buyers may have feelings of unease or guilt. Research has shown that feelings of guilt may promote a desire to "redistribute" or a "giving" behavior (Walster, Walster, and Berscheid 1978). For example, in the context of price (un)fairness, the target for the potential giving activity, if there is any, may be a charity rather than the seller, because the seller is not the disadvantaged party that suffers. Because the giving action is directed outside the buyer–seller transactions, feelings of guilt lead to no particular action in the buyer–seller relationship.

When buyers are slightly disadvantaged, there may be some decrease in perceived value and feelings of disappointment. If so, buyers either are not motivated to take action or believe it is not worthwhile to take action because of the cost of complaining or switching to another seller (Urbany, Madden, and Dickson 1989). However, although consumers may take no action to change the current or future transaction relationships with the seller, they may still spread negative word of mouth to vent their discomfort or disappointment with the seller (Zeelenberg and Pieters 2004).

Self-protection. When buyers believe that an inequality in an exchange is unacceptable and are upset, disappointed, or regretful (if they believe that there is a better option), they may choose to complain, ask for a refund, spread negative word of mouth, and/or leave the relationship, depending on their assessment of which action is most likely to restore equity with the least cost. In addition, they may search for additional information to assess the potential switching costs or to assess their power to renegotiate with the seller. For example, Bougie, Pieters, and Zeelenberg (2003) find that the experience of dissatisfaction usually evokes thoughts about what buyers missed out on and the need to search for more information to find out who or what is responsible for the event. In terms of actions, buyers tend to make a deliberate judgment about how to act, or they try to devote attention to something else. Therefore, when consumers perceive a price as less fair, they may choose actions to enhance their own benefits and to reduce their perceived monetary sacrifice. When the actions are less obtainable or too costly, they may choose to leave the relationship (Huppertz, Arenson, and Evans 1978). The objective of these actions is essentially for consumers to protect themselves from being taken advantage of in the future. At the same time, spreading negative word of mouth is a low-cost action that helps buyers cope with their negative feelings of disappointment or regret and prevents other customers in their social network from being exploited.

Revenge. When a strong negative emotion, such as anger or outrage, occurs with a perception of price unfairness, customers' leaving the relationship or complaining may not be sufficient to address the perceived inequity. The feeling of anger, which is a distinct emotion from dissatisfaction or disappointment (Bougie, Pieters, and Zeelenberg 2003), typically is associated with perceived unfairness and leads to a tendency toward aggressive behavior. Anger evokes immediate actions with no deliberation of how to act. Studying consumers' reactions to product failures, Folkes (1990) suggests that anger mediates the relationship between the attributions regarding the seller's responsibility and the desire to engage in conflict with the seller. Thus, to cope with anger or outrage, customers may seek revenge. Angry customers want to "get back" at the organizations (Bougie, Pieters, and Zeelenberg 2003). Such actions can even occur at the customer's expense, rather than compensating them for their perceived loss. It has been demonstrated that customers seek revenge for a company's wrongdoing by switching to the company's direct competitor, even when switching is a less-than-optimal choice (Bechwati and Morrin 2003). Although the choice itself seems to be irrational, the psychological benefit of switching helps customers cope with the situation. In addition, when customers become more angry, they are more likely to complain and engage in negative word of mouth and less likely to repatronize the seller (Folkes, Koletsky, and Graham 1987). Although negative word of mouth in no action and self-protection is a mechanism for customers to comfort themselves psychologically, negative word of mouth driven by anger transcends customers' social network and has the objective of damaging the seller. Therefore, additional actions such as reports to the media or legal and regulatory agencies are possible. In summary, we argue that the severity of the perceived inequality and the differences in emotions experienced further induce different actions that customers may take, the objectives of these actions, and the degree of damage inflicted on the seller.

P_7: When buyers perceive a price as less fair as a result of an advantaged inequality, they take no particular actions to change the transactions or relationships with the seller.

P_8: When buyers perceive a price as less fair as a result of a disadvantaged inequality, the value for money is the major driver of their actions. They evaluate the costs of action and inaction and are likely to respond to the situation by either no action or actions that seek mainly monetary compensation.

P_9: When buyers perceive a price as unfair, negative emotions are the major driver of their actions. They are more likely to cope with the negative emotion by spreading negative word of mouth or even by seeking revenge with the goal of harming the seller to "get even" psychologically.

Overall, we have examined the various influencers and consequences of price fairness perceptions. Our framework is not completely inclusive; we consider price fairness in a buyer–seller transaction context and examine it from the buyer's perspective. This perspective does not mean that price fairness cannot be studied from the seller's or third party's perspective or at the group or organizational level. In addition, factors such as buyers' individual characteristics may influence whether customers evoke perceptions of price unfairness under certain circumstances and how they may react to those perceptions.

Implications for Pricing Managers

The importance of price unfairness perceptions and their impact on firms' profitability has long been recognized (Kahneman, Knetsch, and Thaler 1986a, b). Although buyers' perceptions of price unfairness are based on perceived price differences, a goal of fair pricing does not mean a one-price policy for everyone, nor does it mean that customers do not accept price changes or price differences. Indeed, a survey of retail businesses found 12 different customer groups to which price discounts can be offered (Martins 1995). A key question is how to make price differences more acceptable and less likely to evoke unfairness perceptions. We now offer some guidelines for achieving and maintaining perceived fair prices in the context of differential pricing.

Decrease Transaction Similarity

As we conceptualize, when customers perceive two transactions as similar, the effect of observed price differences on perceptions of price unfairness is greater than for other situations. Therefore, perceptions of price unfairness can be mitigated by a decrease in the similarity of the transactions. The practice of yield management sets different prices for seemingly similar products or services, such as a hotel room or an airplane seat, but additional benefits or restrictions are attached to each offer, which makes the products or services less comparable. These restrictions decrease the similarity of the transactions and the attention that customers place on perceived price differences, thereby reducing the likelihood of price unfairness perceptions. Contrary to this principle, Amazon.com charged the same customer a higher price for the same product on the basis of his purchasing history. There was no differentiation between the products or service in the two transactions. As a result, Amazon.com received negative customer and media response when the practice was discovered (Adamy 2000).

We suggest that product differentiation is a dominant factor in decreasing transaction similarity. Consumers infer quality differences when products differ, which helps them attribute the price differences to sellers' cost, thereby reducing perceptions of price unfairness (Bolton, Warlop, and Alba 2003). Therefore, product customization and differentiation help decrease transaction similarity and the likelihood of price unfairness perceptions. Information technology offers firms opportunities to customize their price and products. Price differentiation without corresponding product customization may evoke price unfairness perceptions among consumers.

Anticipate Reactions to Price Differences and Provide Relevant Information

Our review indicates that additional information is helpful for buyers to sort out whether the seller is responsible for the price differences and whether the seller benefits from such differences. Anticipating that buyers will find price discrepancies based on the sellers' pricing strategies and tactics, marketers should proactively provide relevant information to influence buyers' attributions for the price discrepancies.

When buyers are uncertain about product quality, price, and the seller's costs in an exchange relationship, sellers can communicate their costs or inputs to the exchange relationship in several ways. Buyers perceive cost-based pricing rules as fairer than market-based ones (Maxwell 1999); however, consumers have little knowledge of a seller's actual costs and profit margins (Bolton, Warlop, and Alba 2003). Therefore, sellers' making the relevant cost and quality information transparent helps. Considerable amounts of such information are available on various Web sites. For example, marketing communications campaigns that explain the firm's commitment to using top-of-the-line raw materials for its products signal to consumers that the seller's quality and costs are relatively high (Kirmani and Rao 2000).

In addition, although sellers may be unwilling to make their cost structures and margins known to customers, they can switch buyers' attention away from prices to focus on the value that they provide. For example, sellers' emphasis on flexible travel dates, the ability to seek a refund, and friendly cancellation policies communicate the relative value of a comparatively higher airfare. Furthermore, such benefits help reduce the tension of a comparatively higher price when the buyers value the benefits. Buyers are more likely to seek information when price discrepancies occur. Thus, sellers' offering relevant information in advance may decrease the likelihood of severe perceptions of price unfairness (Collie, Bradley, and Sparks 2002).

Manage Customer Relationships

We have conceptualized price fairness in the context of buyer–seller transactions, and we have argued that trust is an important factor that influences perceptions of price fairness. As we argue, trust may have different meanings in different stages of the buyer–seller relationship. First, a seller's building of a good reputation may help build initial trust and attract new customers, and this trust may serve as a buffer that helps decrease negative attributions when price discrepancies occur. For example, as demand increases for products such as building materials after the occurrence of a natural disaster, local retailers often maintain prices for necessity items (Haddock and McChesney 1994). Second, repeat transactions with a seller help build benevolence trust. Therefore, loyal customers focus more on whether sellers care about them. When customers perceive an unfair price, they are likely to perceive it as exploitation and are more likely to punish the seller. To show appreciation to loyal customers, sellers offer various reward mechanisms, such as loyalty programs. Finally, the benefit to sellers of continuously building such good relationships is higher overall trust, which can survive a strong challenge. Although it is important for marketers to attract new customers while maintaining existing profitable customers, we recommend that marketers focus on different needs in trust building and use different communication programs or offer differentiated products to different segments to minimize potential unfavorable price comparisons across groups of customers.

Damage Control When Perceptions of Unfairness Arise

It is important not only to prevent unfair price perceptions but also to control the damage when perceptions of unfairness occur. Our framework suggests that buyers believe that they have made monetary sacrifices and/or have negative emotions when they perceive a price as unfair. Although increased perceived monetary sacrifice induces switching or complaint behaviors, the effect of negative emotions due to price unfairness perceptions has not been studied. We argue that negative emotions accompany a perceived unfair price and that buyers use different repair mechanisms to cope with the increased perceived monetary sacrifice and their negative emotions.

When buyers' major concern is the actual price difference, the seller may control the potential damage by offering a refund, an additional reward (monetary or gift), or another form of compensation. However, when unfairness perceptions are accompanied with strong negative emotions, financial compensation may not be sufficient. The seller needs to offer a venue that allows buyers to "vent" their negative emotions. Negative word of mouth is a common behavior that consumers use to release their disappointment with a transaction. Instead of having consumers spread such negative word of mouth to their social network or beyond, marketers can set up a forum, such as an online discussion board monitored by the firm, to redirect such feelings and to give the firm an opportunity to explain and offer compensation.

In addition, the interaction between the buyers and the seller's representatives is the key to managing angry customers. The desire for vengeance after a dissatisfying experience is influenced by how well consumers are treated during the redress process (Bechwati and Morrin 2003). When treated appropriately (e.g., politely, respectfully), buyers may reinstate their normal emotional state (Bowman and Narayandas 2001; Smith, Bolton, and Wagner 1999). Although buyers may still choose to leave the relationship, they may be less likely to seek revenge, an action that is most damaging to the seller. Thus, sellers need to reach their customers proactively when severe unfair price perceptions arise and to minimize the damages by redressing the situation appropriately. Honest and fair prices and practices can prevent detrimental buyer behavior and harm to the buyer–seller relationship.

Directions for Further Research

Research in the area of price fairness has been sparse until recently. Our framework integrates existing theories of fairness and provides potential directions for further research. First, existing research has used the concept of price fairness without explicitly defining it. We argue that price fairness is a different concept from that of price unfairness. Consumers are clearer and more articulate about what they perceive as unfair prices than they are about fair prices. Indeed, price fairness may not even be an issue until consumers perceive a price as unfair. We have added affect as an important element of the price fairness concept, and we suggest that there are different types of negative emotions associated with price unfairness perceptions. A truly unfair perception is accompanied by strong negative emotions, such as anger and outrage, which may lead to severe actions toward the seller. Using qualitatively different emotions as anchors and the cognition of price inequality, we argue that much of existing empirical research on price unfairness can be labeled “less fairness.” Although consumers may believe that it is less fair that a department store sells a similar product at a higher price than a discount store, this “less price fairness” perception may not prevent them from shopping at the department store. Conceptually distinguishing between less fair and unfair and different types of emotions associated with price inequality helps us focus on the real unfair price situations, which have not received much research attention in marketing.

Second, we use similarity and the source of comparison (parties involved in the transactions being compared) as the key concepts of the price comparison process. Although previous price fairness research has recognized that fairness judgments are comparative, both the specifics of what is compared (other than price) and how customers choose a comparison source among various available references have not been studied. Empirical identification of the characteristics of the comparative transactions that lead to greater similarity and thus greater unfairness perceptions will provide ideas on how to control or reduce such perceptions.

Third, we suggest that researchers examine factors that influence price fairness judgments across the spectrum: transaction contextual information, procedure information (e.g., specific attributions), buyer–seller relationships (e.g., different types and dimensions of trust along relationship development), and more generic influences (e.g., social norms, consumer knowledge, individual characteristics). Recent research has focused on the influence of cost–profit distributions and buyers’ attributions of the causes of price discrepancies (e.g., Bolton, Warlop, and Alba 2003; Campbell 1999; Vaidyanathan and Aggarwal 2003). We suggest that the influence of the buyer–seller relationship and the different types and dimensions of trust in the different stages of the relationship are worthy and testable factors. In addition, consumers may have different degrees of sensitivity to fairness or equity issues, which provides a potentially interesting covariate for further empirical research (Oliver 1997).

Finally, we have identified potential consequences of perceived fairness or unfairness on both buyers and sellers. For buyers, a perceived less fair or unfair price may lead to lower perceived value and/or negative emotions. These two consequences may require different coping actions, thus leading to different behaviors. It would be informative to test whether and how perceptions of value and negative emotions mediate the relationship between perceived unfairness and the various types of actions that consumers may take. In addition, recent research has pointed out that different types of emotions can be qualitatively different and associated with different thoughts and behavioral reactions. An examination of different emotions that accompany different degrees of perceived price unfairness may enhance the understanding of consumers’ potential responses and consequences to the sellers. These consequences and responses provide a basis for broadening the previous research focus beyond buyers’ purchase intentions and make important substantive contributions to marketing knowledge.

APPENDIX
Summary of Research Relevant to Price Fairness

Author(s)	Proposed Theory	Study	Variables Tested	Key Results
Bolton, Warlop, and Alba (2003)	Fairness judgments may be based on previous prices, competitor prices, and profits; attributions depend on the difference between reference point and price.	Tests reactions to perceived differences of historical prices, relation between store-price levels, expected profits, perceived firm costs, and profit sources.	Historical prices; store-price image; store strategies, risks, and costs; and perceived price fairness.	•People do not have accurate mental cost or profit models for firms. •Increases in some firm (fair) costs lead to increased perceived fairness; some costs are unfair for price increases. •Price differences are fairest when attributed to quality differences.

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Continued

Author(s)	Proposed Theory	Study	Variables Tested	Key Results
Campbell (1999)	Inferred motive and a firm's reputation affect perceptions of price fairness and future shopping intentions.	Tests consumer reactions to retail purchasing scenarios; presents variations in the seller's intent and reputation.	Firm's reputation, inferred motive, inferred profit, perceived fairness, and shopping intentions.	•Relative profit and inferred motive influence fairness perceptions, which in turn affect shopping intentions. •A firm's reputation moderates inferences of motive.
Collie, Bradley, and Sparks (2002)	When outcomes of others are unknown, judgments vary with procedural fairness, but not when others' outcomes are known.	Tests scenarios in which subjects paid more, less, or equal to comparable others and did or did not know others' prices.	Knowledge of others' outcomes, outcome fairness, and satisfaction with interaction.	•Subjects who did not know others' outcomes rated their outcomes as more fair. •It is difficult to judge distributive fairness because of ambiguity of why the outcomes occurred.
Darke and Dahl (2003)	Greater satisfaction occurs when the outcome/input ratio of a comparative other is equivalent.	Tests scenarios in which subjects received smaller or equal discounts	Bargain size, loyalty status of comparative other, satisfaction, and perceived fairness.	•Perceived fairness mediates the bargain size–satisfaction relationship. •Perceptions of fairness enhance the value of a bargain.
Dickson and Kalapurakal (1994)	Perceived fairness of a price depends on the rule used to set price.	Surveys traders of bulk electricity to determine use of and perceived fairness of four cost-based pricing rules and four market-based rules.	Frequency of rule use, fairness of rules, and response to perceived unfair prices.	•Rules that treat cost increases and decreases symmetrically are fair. •Price increases due to demand increases are unfair. The more frequently a rule occurs, the fairer the rule is perceived.
Frey and Pommerehne (1993)	Consumers evaluate fairness by starting from a fair or just price.	Surveys consumers to determine acceptability of rationing excess demand.	Fairness judgments and acceptability of allocation alternatives.	•Perceived price fairness for a price increase with excess demand is higher when supply may expand. •Increasing price to profit from demand is unfair.
Huppertz, Arenson, and Evans (1978)	When consumers perceive certain factors in a relationship as inequitable, they seek inequity reduction.	Tests consumer judgments of fairness of hypothetical retail exchange situations.	Price inequity, service inequity, shopping frequency, item cost, and behavioral response.	•Price inequity may dominate service inequity in consumer buying situations. •Buyers are more apt to complain when price inequity is high. •Frequent buyers are more likely to perceive inequity in a relationship.

APPENDIX
Continued

Author(s)	Proposed Theory	Study	Variables Tested	Key Results
Kahneman, Knetsch, and Thaler (1986a)	Dual entitlement: Fairness considerations constrain profit-maximizing firms.	Surveys consumers to determine standards of fairness applicable to price setting and to understand the effects of fairness rules on market outcomes.	Fairness judgments when presented with reference transaction, outcomes of the seller and buyer and the reason behind the changes.	•It is fair for a firm to raise prices when faced with increasing costs. •It is fair for a firm to maintain prices as costs decline. •It is unfair for a firm to benefit from shifts in demand by raising prices.
Kalapurakal, Dickson, and Urbany (1991)	Fairness of the dual entitlement principle is subject to context effects and is not as general as previously believed.	Conducts experiment with students using three pricing rules over four context scenarios.	Perceived fairness of the pricing rule.	•Absorbing cost increases and decreases and using cost-plus pricing is more fair than the dual entitlement rule. •Fairness perceptions are influenced by information about the seller's costs, margins, profits, and pricing behavior.
Kimes (1994)	Yield management practices often encounter perceptions of unfairness.	Surveys hotel visitors to gauge their reactions to and perceptions of fairness when presented with different scenarios.	Fairness judgments, role of information, role of restrictions and benefits, and perceived differences.	Yield management practices would be perceived fair if: •Information on varying pricing options is available; •Substantial discounts are given along with reasonable restrictions; and •Products perceived as different have different prices.
Martins (1995)	Buyers may compare prices with comparable other buyers; perceptions of price fairness are affected by discrepancies.	Manipulates price paid by reference other, reference other income, and product type.	Perceived monetary sacrifice and perceived price fairness.	•Presence of a price discrepancy is perceived as unfair. •Perceived monetary sacrifice is significantly less when reference others pay more and significantly more when reference others pay less.
Maxwell (1995)	Fairness judgments depend on economic and social variables.	Asks consumers to cite cases of fair and unfair pricing.	Price fairness.	•Both economical and social components affect determinations of price fairness.
Maxwell (1999)	Social norms are important in long- and short-term exchange relationships.	Tests consumers' reactions to questions conveying selected firms' pricing.	Social norms and personal and societal approval.	•A classification system and proposed method of quantifying social norms enables further study of the effects of social norms on consumer transactions.

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Continued

Author(s)	Proposed Theory	Study	Variables Tested	Key Results
Maxwell (2002)	If price equals reference price, buyers infer procedural price fairness; if not, consumers have less intention to buy.	Tests fairness judgments using two levels of reference price, seller power, levels of justification, and three levels of price procedures.	Perceived fair price, attitude toward seller, and willingness to purchase.	•Adherence to social norms for pricing procedures forms a basis for fairness judgments. •Judged fairness of pricing practices influences attitudes toward the seller and willingness to buy.
Maxwell, Nye, and Maxwell (1999)	Self-interest and social utility can exist simultaneously when buyers have been primed for fairness considerations.	Examines the fairness and acceptability of prices before negotiation by priming fairness in bargaining scenarios.	Fair prices, acceptable prices, and effects of priming.	•Priming buyers to consider fairness enables sellers to increase buyer satisfaction without sacrificing profit. •Fairness-primed buyers demonstrate more cooperative behavior.
Oliver and Swan (1989a)	Fairness perceptions in an exchange result from not only equity dimensions but also satisfaction.	Surveys automobile purchasers' perceptions of fairness and satisfaction in an exchange situation.	Buyers' and seller's inputs and outcomes, fairness, intention, satisfaction, and disconfirmation.	•An exchange is fair if the buyer's outcomes and seller's inputs are high. •Intention is influenced by satisfaction, and satisfaction is explained by fairness perceptions.
Oliver and Swan (1989b)	Consumers compare inputs and outcomes of other parties with their own on the basis of role expectations. Fair price is implicit in this comparison.	Surveys automobile purchasers, dealers, and salespeople's perceptions of fairness, satisfaction, preference, and disconfirmation.	Buyers', salespeople's, and dealer's inputs; outcomes; fairness; disconfirmation; and satisfaction.	•Consumers' perceptions of fairness are stronger when their outcome–input scores exceed the merchant's. •Fairness is highly related to satisfaction.
Ordóñez, Connolly, and Coughlan (2000)	When making fairness and satisfaction judgments, consumers use multiple reference points.	Tests satisfaction and fairness judgments when individuals compared hypothetical salaries offered to MBA graduates.	Satisfaction and fairness.	•Both advantageous and disadvantageous inequity is unfair; the latter is judged as more unfair. •Satisfaction and fairness are distinct from each other.
Sinha and Batra (1999)	Consumers are more price conscious when they perceive price unfairness by national brands; such price unfairness leads to purchases of private brands.	Surveys 404 shoppers about eight grocery products and uses rating scales.	Perceived risk, price versus perceived quality, price consciousness, and perceived price unfairness.	•Strong positive effect of perceived price unfairness of national brands on price consciousness. •Perceived price unfairness has indirect effect on choice through price consciousness. •Nonsignificant relationship between price quality and price unfairness.

APPENDIX
Continued

Author(s)	Proposed Theory	Study	Variables Tested	Key Results
Urbany, Madden, and Dickson (1989)	ATM fee with cost justification is more fair than without justification; switching costs inhibit intent to leave bank.	Surveys 40 adults with scenario that depicts a bank implementing a new ATM fee.	Perceived fairness, behavioral intentions, and switching costs.	•Confirm dual entitlement: Cost-justified fee is perceived as more fair. •Fairness perceptions may not predict behavioral intentions.
Vaidyanathan and Aggrarwal (2003)	Inferred causes of price increases affect perceptions of price fairness.	Tests fairness judgments with scenarios that provide reasons for price increases.	Internal versus external causes of price change, controllability, and perceived fairness.	•A price increase caused by external factors and not under the control of the seller is perceived as fair. •A cost-justified price increase is not necessarily judged as fair.

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