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FAIRNESS AT A PRICE: UNDERSTANDING THE PSYCHOLOGICAL MECHANISMS BEHIND PRICE DISCRIMINATION

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Abstract: *This research examines how different price discrimination strategies influence consumers' sense of fairness and their willingness to repurchase — one of the most decisive indicators of brand loyalty. In markets where competition and transparency are intensifying, pricing has become more than a financial decision; it is a statement of a firm's ethics and respect for its customers. The study distinguishes between four major forms of price discrimination — time-based, location-based, quantity-based, and customer characteristics-based — and reveals that not all discrimination is perceived equally. Consumers accept time-based and customer-oriented differences when they perceive a clear logic or reward behind them, such as loyalty benefits or off-peak discounts. In contrast, arbitrary or opaque practices, especially those tied to location or purchasing volume, provoke perceptions of injustice and distrust. The findings demonstrate that fairness is not a secondary sentiment but the central bridge between pricing strategy and consumer behavior. When customers feel treated fairly, they do not merely repurchase — they internalize the brand's values and advocate for it. The study underscores a crucial managerial insight: in the long term, fairness-driven pricing is not only ethically superior but strategically indispensable for sustaining competitiveness and trust in modern markets.*

Keywords: *price discrimination, price fairness, repurchase intention, consumer trust, ethical pricing.*

1 Introduction

In an age of digital transformation and hyper-competition, pricing has transcended its traditional economic role to become one of the most visible reflections of corporate philosophy. The price of a product or service no longer merely conveys cost or value—it communicates intent, transparency, and fairness. As markets grow increasingly informed and interconnected, consumers evaluate prices not only in monetary terms but also as moral indicators of how firms respect and value their customers. In this context, pricing becomes both a strategic decision and an ethical act, shaping the relational and psychological contract between a company and its audience.

Historically, the concept of price has been grounded in classical economic theories that assume rational agents, perfect information, and equilibrium-based efficiency (Pigou, 1920; Varian, 1989). Yet, decades of behavioral research have fundamentally challenged this assumption. Pioneering scholars such as Kahneman, Thaler, and Tversky revealed that human judgment about prices is embedded in emotions, perceptions of justice, and social comparisons rather than purely rational calculus (Kahneman et al., 1986; Thaler, 1985). Consumers interpret price changes through the lens of fairness — assessing not just what they pay, but why they pay it. When the motive behind a pricing decision is perceived as justifiable, transparent, or benevolent, fairness perception strengthens. Conversely, when motives appear opportunistic or exploitative, perceived injustice erodes both satisfaction and loyalty.

At the heart of this moral evaluation lies the concept of price discrimination — the deliberate strategy of charging different prices for the same good or service based on consumers' characteristics, behaviors, or circumstances. Economically, price discrimination is rational: it allows firms to align prices with willingness to pay, capture surplus, and improve resource allocation (Stigler, 1966; Stole, 2007). Yet psychologically, it is fraught with tension, as consumers instinctively link unequal treatment with unfairness. The same economic logic that benefits a firm can be perceived as moral transgression by the consumer. This conflict between managerial optimization and moral legitimacy constitutes the core paradox of contemporary pricing.

With the advent of algorithmic pricing and digital data, this paradox has intensified. Modern technologies now empower firms to implement precise, real-time differentiation across customers, regions, and contexts (Borgesius & Poort, 2017). Online retailers, airlines, telecommunications firms, and even subscription-based digital platforms employ sophisticated systems to tailor prices dynamically. However, this digital precision, while economically optimal, exposes firms to heightened scrutiny. Consumers today are not passive participants—they are informed, connected, and empowered evaluators capable of detecting inconsistencies and questioning the fairness of corporate motives. A pricing algorithm may achieve marginal efficiency gains, but a single perception of unfairness can inflict lasting reputational harm.

Fairness perception, therefore, emerges as a psychological mediator that determines how consumers translate pricing strategies into emotional and behavioral responses. The Dual Entitlement Theory (Kahneman et al., 1986) posits that consumers perceive fairness when firms maintain a balance between their right to profit and the consumers' right to reasonable value. When this balance is violated—when the firm's gain appears to come at the customer's expense—perceptions of injustice emerge. Similarly, Equity Theory suggests that individuals assess fairness by comparing their outcomes and inputs relative to others. In pricing contexts, this translates into judgments about whether one's price differs unjustifiably from that of similar consumers.

Recent research highlights that fairness judgments depend heavily on inferred motives (Campbell, 1999). If consumers interpret price differences as stemming from efficiency, loyalty rewards, or legitimate cost variations, their perception of fairness improves. Conversely, if they infer opportunistic or discriminatory motives—such as exploiting data or location—perceptions of unfairness intensify. Thus, fairness perception is not merely a reaction to the price level itself but a moral interpretation of the firm's underlying intentions.

The consequences of these fairness judgments are profound. Perceived unfairness triggers anger, resentment, and distrust, leading to adverse behavioral outcomes such as reduced repurchase intention, switching behavior, and negative word-of-mouth (Haws & Bearden, 2006; Choi & Mattila, 2009). Conversely, when pricing is seen as fair, consumers exhibit stronger emotional attachment, repeat purchase behavior, and long-term loyalty (Lii & Sy, 2009; Vogel & Paul, 2015). In the long run, fairness perception transforms from an ethical ideal into a strategic asset that sustains competitive advantage.

Despite extensive literature on fairness and pricing, notable research gaps persist. Much of the existing work has examined isolated pricing practices—discounts, promotions, or dynamic pricing—without systematically comparing how different types of price discrimination (time-based, location-based, quantity-based, and customer-based) differentially shape fairness perceptions. Furthermore, the majority of studies are situated within developed economies, neglecting cultural contexts where collective norms, social comparison, and institutional trust play distinct roles in fairness judgments. In emerging economies, such as Azerbaijan, consumers' sensitivity to perceived justice is often amplified by evolving digital literacy, market transparency, and social inequality—all factors that can heighten the emotional response to price differences.

This study addresses these gaps by integrating behavioral, ethical, and managerial perspectives into a unified empirical framework. Specifically, it investigates how various forms of price discrimination influence consumers' perceptions of fairness and their subsequent repurchase intentions. The research proposes that price fairness perception acts as a mediating construct, translating the technical and economic design of price discrimination into psychological and behavioral outcomes. By doing so, it bridges the theoretical gap between rational pricing models and behavioral consumer responses.

The context of the study—Azerbaijan's GSM service market—offers a particularly suitable setting for this inquiry. Mobile operators frequently employ differentiated pricing schemes, such as time-based promotions, loyalty rewards, regional discounts, and volume-based tariffs. These practices make consumers continuously aware of pricing disparities, thus providing a natural laboratory for examining how fairness perceptions evolve. Moreover, the rapid digitalization of the telecommunications sector mirrors broader global transformations, making the insights of this study both locally grounded and internationally relevant.

The expected contributions of this research are threefold. First, it offers a comparative assessment of four distinct price discrimination strategies, providing empirical clarity on which types foster fairness and which erode it. Second, it empirically validates the mediating role of perceived fairness in linking price discrimination to repurchase intention, thereby contributing to behavioral pricing theory. Third, it extends the ethical discourse in marketing by framing fairness not as a moral constraint but as a strategic enabler—demonstrating that firms can pursue profitability without compromising justice.

Beyond its theoretical relevance, this study holds significant practical implications. In a world of algorithmic pricing, fairness becomes a competitive differentiator. Firms that cultivate fairness-centered pricing architectures can transform consumer relationships from transactional to relational. Such firms are not merely selling products—they are selling respect, predictability, and trust. As markets evolve toward data-driven precision, the ability to maintain a perception of fairness may determine which companies sustain loyalty in the long term.

Ultimately, this study advances a central thesis: price fairness is the invisible currency of modern markets. It shapes how consumers interpret commercial intent, how they decide to return, and how they define loyalty in an increasingly fragmented economy. The challenge for today's firms is not simply to find the optimal price, but to discover the ethically optimal price—one that resonates with both reason and justice.

2 Theoretical Background

The theoretical background of this study provides the conceptual foundation for understanding how price discrimination, fairness perception, and repurchase intention interact within the broader framework of behavioral economics and consumer psychology. It traces the intellectual evolution of pricing theory—from classical assumptions of rationality and efficiency toward contemporary perspectives that recognize the moral and emotional dimensions of market exchange. By integrating insights from equity and dual entitlement theories, the discussion elucidates how consumers' perceptions of fairness mediate the relationship between differential pricing and behavioral outcomes. This section therefore situates the study within a multidimensional paradigm that views pricing not merely as an economic mechanism but as a social and ethical process through which trust, legitimacy, and loyalty are negotiated between firms and consumers.

2.1 From Classical Economics to Behavioral Contextualization

In classical economic theory, price represents the equilibrium point where supply meets demand, reflecting the marginal utility of goods within a rational marketplace. Consumers are assumed to be informed, utility-maximizing agents who make decisions based solely on objective evaluations of cost and benefit (Pigou, 1920; Varian, 1989). Within this framework, price discrimination—charging different prices for the same good or service to distinct market segments—emerged as a legitimate and efficient managerial strategy. It allows firms to capture consumer surplus, align prices with willingness to pay, and increase market efficiency (Stigler, 1966; Stole, 2007).

Yet, the rationalist assumption underlying these models has been increasingly challenged by behavioral economics, which reinterprets economic behavior as deeply embedded in psychology, context, and social meaning. Pioneering research by Kahneman, Tversky, and Thaler revealed that individuals evaluate prices not only through economic reasoning but through perceptions of fairness, intent, and justice (Kahneman et al., 1986; Thaler, 1985). Consumers interpret pricing decisions as moral signals that reveal the firm's respect—or lack thereof—toward them. Thus, a price is no longer merely a number; it becomes a social and ethical message.

Within this behavioral paradigm, fairness operates as a heuristic of moral evaluation. Consumers assess not only what they pay, but also why they pay it, drawing inferences about corporate motives. When a price difference is perceived as logical or beneficial to both parties, it strengthens the sense of legitimacy; when it appears opportunistic, it evokes psychological resistance. Therefore, fairness perception transforms price discrimination from an economic instrument into a moral experience (Campbell, 1999; Xia, Monroe & Cox, 2004).

2.2. Fairness as a Moral and Psychological Schema

Fairness is both a normative and psychological construct that governs human responses to inequality in exchange relationships. Theoretically, it rests on two major foundations: Equity Theory and Dual Entitlement Theory.

According to Equity Theory (Adams, 1965), fairness is achieved when the ratio between a consumer's inputs (e.g., money, effort) and outcomes (e.g., benefits, value) is balanced relative to reference others. Discrepancies—such as paying more than others for the same service—create cognitive and emotional discomfort, leading to corrective actions such as complaint, avoidance, or negative word-of-mouth.

The Dual Entitlement Theory (Kahneman et al., 1986) extends this understanding by arguing that both firms and consumers possess legitimate entitlements within a transaction: firms are entitled to a reasonable profit, and consumers are entitled to a fair price. A sense of fairness emerges when both entitlements coexist harmoniously. However, when price increases or discrimination seem to violate this equilibrium—by transferring welfare from the consumer to the firm—perceptions of injustice arise.

Empirically, fairness is not determined by the absolute level of price but by its relational justification. Transparent and well-communicated rationales for differential pricing enhance fairness perceptions, while opaque or manipulative justifications diminish them (Haws & Bearden, 2006). Moreover, fairness is both cognitive—based on rational assessment—and affective—shaped by emotions such as trust, gratitude, or anger. It is therefore not a passive perception but a multidimensional evaluative process through which consumers negotiate the moral legitimacy of market exchanges.

Cultural and contextual elements further influence this process. In emerging economies or collectivist cultures, fairness is closely tied to shared norms of equality and community balance (Reinartz & Wiegand, 2019). Hence, what may be deemed economically justified in one cultural context may appear exploitative in another. This intersection of fairness with social norms reinforces its character as both a psychological lens and a sociological principle that shapes consumer behavior.

2.3 The Fairness Paradox in Price Discrimination

Price discrimination embodies an inherent duality: it is simultaneously economically rational and morally sensitive. Firms adopt it to improve profitability and market segmentation, yet it often challenges consumers' moral expectations of equal treatment. This tension—between efficiency and ethics—constitutes the Fairness Paradox of pricing.

Empirical research consistently demonstrates that consumer reactions vary across discrimination types. Time-based price discrimination, such as off-peak pricing or early-bird discounts, tends to be perceived as fair, since it aligns with controllable behaviors. Customer characteristics-based discrimination, including loyalty programs, is often seen as merit-based, rewarding long-term commitment. By contrast, location-based discrimination frequently triggers skepticism, as geographic differentiation rarely appears justifiable in moral terms. Quantity-based discrimination occupies an ambiguous middle ground, accepted when it rewards consumption efficiency but rejected when it appears exclusionary or elitist.

The fairness of such strategies depends less on the pricing mechanism itself than on inferred corporate motive—what consumers believe the firm intends by its pricing decision (Campbell, 1999). When motives are perceived as benevolent—such as compensating for demand fluctuations or rewarding loyalty—fairness strengthens. When motives are perceived as opportunistic or exploitative, fairness perceptions deteriorate. This “motive inference” mechanism highlights the relational nature of modern pricing: firms and consumers are engaged in a continuous moral negotiation. Fairness, therefore, acts as a moral contract, invisible but powerful, that governs the sustainability of exchange relationships. Once broken, it cannot be easily restored through financial incentives alone.

2.4 Fairness as a Mediating Mechanism Between Pricing and Behavior

A central proposition in behavioral marketing is that fairness perception mediates the relationship between pricing strategies and behavioral outcomes. Consumers’ perception of fairness directly influences satisfaction, trust, loyalty, and repurchase intention (Vogel & Paul, 2015; Choi & Mattila, 2009). Fairness perception operates as both a psychological filter and a behavioral regulator—translating managerial actions into cognitive judgments and emotional reactions.

Two complementary mechanisms explain this process. First, Cognitive Consistency Theory posits that consumers seek harmony between their beliefs and experiences. When a price is perceived as fair, it reinforces brand trust and justifies continued engagement; when perceived as unfair, it generates dissonance that consumers resolve by distancing themselves from the firm. Second, Trust Theory suggests that fairness serves as a heuristic for moral integrity—consistent fairness in pricing builds confidence in the firm’s reliability, while perceived opportunism erodes it. As a result, fairness perception bridges the managerial and behavioral domains: it transforms pricing policy from a static managerial decision into a dynamic psychological experience. Fairness, in this sense, functions not merely as an emotional reaction but as a relational governance mechanism that sustains the social legitimacy of market exchanges.

2.5 Integrative Behavioral Framework

Integrating economic, psychological, and ethical dimensions yields an overarching theoretical logic: price discrimination influences repurchase intention through the mediating role of perceived fairness. This framework positions fairness at the heart of consumer–firm interaction.

Economically, firms pursue price discrimination to maximize efficiency and profitability. Psychologically, consumers decode such pricing through fairness heuristics shaped by transparency, justification, and perceived motive. Ethically, these judgments produce moral evaluations that either reinforce or undermine consumer trust. Hence, fairness is the behavioral hinge that connects rational pricing strategy with moral legitimacy. In the digital era—characterized by algorithmic personalization, information asymmetry, and heightened consumer awareness—the moral legitimacy of price differentiation has become an indispensable element of competitiveness. Firms that institutionalize fairness in their pricing logic can transform differentiation into loyalty; those that neglect it risk transforming efficiency into alienation.

This theoretical synthesis thus reframes pricing not merely as a function of economic optimization but as an expression of ethical governance. Fairness, rather than constraining competitive behavior, legitimizes it—turning price from a transactional element into a relational and reputational asset.

In this broader sense, price fairness functions as the invisible infrastructure of market trust, converting numerical differentials into moral judgments and emotional bonds. The capacity of a firm to align its economic interests with fairness expectations ultimately determines the sustainability of its consumer relationships.

3 Methodology

The conceptual model of this study builds on the behavioral understanding that consumers' reactions to differential pricing are mediated by their perceptions of fairness. In this framework, price discrimination represents the managerial mechanism, price fairness perception functions as the psychological mediator, and repurchase intention emerges as the behavioral outcome. The model therefore reflects a multi-level causality, where economic logic, moral cognition, and behavioral loyalty interact dynamically.

3.1 Price Discrimination and Price Fairness Perception

Price discrimination has long been considered an efficiency-enhancing strategy that allows firms to align prices with consumers' willingness to pay (Stole, 2007). However, the behavioral dimension of pricing reveals that the success of such strategies largely depends on how consumers interpret the fairness of price differences. Drawing upon dual entitlement theory (Kahneman et al., 1986), consumers expect firms to balance profit motives with equitable treatment. When price differentials are perceived as transparent and controllable, they are likely to be interpreted as justified; when they appear arbitrary or exploitative, fairness perceptions decline (Campbell, 1999).

Among various types of price discrimination, time-based strategies—such as off-peak discounts or early-bird offers—are generally perceived as fair because they are grounded in objective, situational factors and allow consumer choice (Choi & Mattila, 2009). In contrast, location-based discrimination often lacks moral justification, as price differences across regions are rarely associated with meaningful cost variations (Xia, Monroe & Cox, 2004).

Similarly, quantity-based discrimination (e.g., bulk discounts) can enhance perceived fairness when it reflects genuine efficiency gains, yet it may also be viewed as inequitable when smaller consumers feel disadvantaged. Finally, customer characteristics-based discrimination—such as loyalty-based or demographic pricing—tends to evoke positive fairness perceptions when framed as reward-based recognition rather than exclusion.

Thus, the following hypotheses are proposed:

H1a: Time-based price discrimination positively influences price fairness perception.

H1b: Location-based price discrimination has an insignificant or negative effect on price fairness perception.

H1c: Quantity-based price discrimination exerts a weak or insignificant influence on price fairness perception.

H1d: Customer characteristics-based price discrimination positively influences price fairness perception.

Collectively, these hypotheses suggest that the moral logic embedded in pricing—its transparency, controllability, and perceived intent—determines whether discrimination is viewed as acceptable or unjust.

3.2. Price Fairness Perception and Behavioral Intention

Once consumers interpret a firm's pricing behavior as fair, they are more likely to translate that moral judgment into trust and behavioral commitment. Prior research consistently demonstrates that fairness perception enhances satisfaction, loyalty, and repurchase intentions (Vogel & Paul, 2015; Lii & Sy, 2009). From the perspective of Cognitive Consistency Theory, fair treatment aligns with consumers' expectations of justice and fosters psychological comfort, reinforcing their decision to maintain the relationship. Conversely, perceived unfairness disrupts this consistency, generating dissonance that manifests as reduced loyalty, complaints, or brand switching.

Therefore, the following hypothesis is advanced:

H2: Price fairness perception positively influences repurchase intention.

This assumption positions fairness as a behavioral regulator, mediating the translation of moral evaluations into concrete purchase behavior.

3.3. Mediating Role of Price Fairness Perception

While firms implement price discrimination primarily to optimize revenue, consumers evaluate such strategies through fairness heuristics. This gap between managerial intent and consumer interpretation underscores the mediating role of fairness perception. According to behavioral economics, individuals do not react to price structures mechanically; they reconstruct meaning through perceived motives and relational justice (Thaler, 1985).

When price differentiation is perceived as fair, it strengthens emotional attachment and trust, encouraging repeat purchases. Conversely, when discrimination appears opportunistic, even rational economic justifications fail to elicit positive behavioral responses. This mediating process converts managerial pricing actions into moral experiences, which ultimately shape consumer loyalty.

Accordingly, the following mediation hypotheses are formulated:

H3a: Price fairness perception mediates the relationship between time-based price discrimination and repurchase intention.

H3b: Price fairness perception mediates the relationship between location-based price discrimination and repurchase intention.

H3c: Price fairness perception mediates the relationship between quantity-based price discrimination and repurchase intention.

H3d: Price fairness perception mediates the relationship between customer characteristics-based price discrimination and repurchase intention.

Bringing together these theoretical links, the research model suggests a chain of influence in which the structure of price discrimination shapes consumer interpretations of fairness, which then determines behavioral outcomes. Fairness thus serves as the psychological bridge connecting firm-level pricing mechanisms with consumer-level loyalty dynamics.

This relationship is not purely linear but interpretive and moral in nature: firms' economic differentiation strategies succeed only when consumers internalize them as legitimate and justifiable. Hence, fairness perception is the pivot through which price discrimination transforms from a managerial tactic into a sustainable behavioral strategy.

3.4. Ethical Considerations

All procedures conducted in this research complied with established ethical standards for behavioral and social science studies. Ethical approval was obtained from the Institutional Review Board of the affiliated university prior to data collection. Participants were informed in detail about the study's academic purpose, the voluntary nature of their participation, and their right to withdraw at any time without consequence. No identifying information was collected, and all responses were treated with strict confidentiality and analyzed in aggregate form. The study adhered to the principles of the Declaration of Helsinki (2013) and the APA Ethical Guidelines (2017), ensuring respect for human dignity, privacy, and data protection. Moreover, transparency and integrity were maintained throughout the entire research process—from scenario design and survey administration to data analysis and reporting—ensuring that the study upholds both scientific credibility and ethical accountability.

4 Results

The results section presents the empirical findings derived from the analysis of the conceptual model, examining both direct and mediated relationships among the constructs. It begins with an overview of the sample characteristics, followed by the evaluation of the measurement model to confirm reliability and validity. Subsequently, the structural model results are reported to test the hypothesized relationships between different price discrimination strategies, fairness perception, and repurchase intention. The presentation of findings is supported by path coefficients, significance levels, and mediation tests, allowing for a comprehensive understanding of how pricing practices influence consumer judgments of fairness and their behavioral intentions.

4.1 Descriptive Findings

The study included 403 valid responses collected from active GSM service users across Azerbaijan. Respondents represented a balanced demographic profile: 52% were female and 48% male, with ages ranging from 18 to 60 years. The sample was also diverse in terms of education and income levels, enhancing the generalizability of the findings within the telecommunications sector. Overall, descriptive statistics indicated sufficient variation across key variables, suggesting that the data were suitable for inferential analysis using PLS-SEM.

4.2 Measurement Instruments

The reliability and validity of constructs were first examined prior to hypothesis testing. All indicators displayed factor loadings above the minimum threshold of 0.70, demonstrating adequate indicator reliability. Cronbach's α and composite reliability (CR) values exceeded 0.70, confirming internal consistency. The average variance extracted (AVE) for each construct was above 0.50, supporting convergent validity. Discriminant validity was verified using both the Fornell–Larcker criterion and HTMT ratios (< 0.90), indicating that all constructs were empirically distinct.

These results confirmed the robustness of the measurement model and validated the use of the constructs in the subsequent structural model analysis.

4.3 Structural Model Assessment

Following the validation of the measurement model, the structural relationships among variables were tested using bootstrapping (5,000 resamples) in SmartPLS. The path coefficients (β), t-values, and p-values for each hypothesized relationship are reported below.

4.4 Validation of Hypotheses

The validation of hypotheses constitutes the core of this study's empirical inquiry, linking the statistical outcomes to the theoretical foundations discussed earlier. This section goes beyond numerical verification to interpret how the observed relationships substantiate or challenge the behavioral model proposed in the conceptual framework. Specifically, it investigates how each form of price discrimination—time-based, location-based, quantity-based, and customer characteristics-based—affects consumers' perceptions of price fairness and, subsequently, their repurchase intentions.

Table 1 *Analysis results based on hypotheses*

Variables	Path Coefficient (β)	Mean	Std. Deviation	t-value	p-value
Quantity-based price discrimination → Price fairness perception	-0.112	-0.110	0.097	1.146	0.126
Location-based price discrimination → Price fairness perception	0.066	0.066	0.100	0.654	0.257

Customer characteristics-based price discrimination → Price fairness perception	0.224	0.224	0.092	2.424	0.008
Time-based price discrimination → Price fairness perception	0.250	0.252	0.090	2.800	0.005
Price fairness perception → Repurchase intention	0.313	0.313	0.030	10.336	0.000
Customer characteristics-based PD → Fairness → Repurchase intention	0.008	0.008	0.017	0.471	0.319
Location-based PD → Fairness → Repurchase intention	0.015	0.015	0.017	0.868	0.193
Time-based PD → Fairness → Repurchase intention	0.078	0.079	0.025	2.500	0.012

The analysis employs bootstrapped structural equation modeling to estimate both direct and indirect effects, thereby revealing not only the strength of causal links but also the underlying psychological pathways through which fairness operates as a mediator.

Table 2 *Hypotheses validation and mediation analysis*

Hypothesis	Path Relationship	β	t-value	p-value	Result
H1a	Time-based PD → Price Fairness Perception	0.250	2.800	0.005	**Supported**
H1b	Location-based PD → Price Fairness Perception	0.066	0.654	0.257	Not Supported
H1c	Quantity-based PD → Price Fairness Perception	-0.112	1.146	0.126	Not Supported
H1d	Customer Characteristics-based PD → Price Fairness Perception	0.224	2.424	0.008	**Supported**
H2	Price Fairness Perception → Repurchase Intention	0.313	10.336	0.000	**Supported**
H3a	Time-based PD → Fairness → Repurchase Intention	0.078	2.500	0.012	**Supported**
H3b	Location-based PD → Fairness → Repurchase Intention	0.015	0.868	0.193	Not Supported
H3c	Quantity-based PD → Fairness → Repurchase Intention	0.008	0.471	0.319	Not Supported

By evaluating these mediation mechanisms, the study identifies which pricing strategies resonate with consumers' moral logic and which ones generate skepticism or resistance. Hence, this section provides a holistic validation of the model: it empirically confirms that fairness is the interpretive lens through which consumers translate managerial pricing decisions into behavioral loyalty or disengagement.

The results of the hypothesis testing are summarized below. Time-based and customer characteristics-based price discrimination strategies exhibited significant positive effects on price fairness perception (H1a and H1d supported).

Quantity-based and location-based price discrimination strategies did not show statistically significant effects (H1b and H1c not supported).

The path from price fairness perception to repurchase intention (H2) was strongly significant ($\beta = 0.313$, $p < 0.001$), indicating that perceived fairness directly drives consumers' willingness to repurchase.

Regarding mediation, fairness perception significantly mediated the relationship between time-based price discrimination and repurchase intention ($\beta = 0.078$, $t = 2.50$, $p = 0.012$), confirming H3a.

5 Discussion and Conclusion

The discussion section interprets the empirical findings in light of the theoretical framework and existing literature, highlighting how the results contribute to the understanding of consumer behavior in price discrimination contexts. Rather than merely restating numerical outcomes, this section explains why certain relationships emerged as significant and how fairness perception operates as the key psychological mechanism linking pricing strategies to consumer loyalty.

The discussion also situates these findings within broader theoretical debates in behavioral economics, equity theory, and marketing ethics, offering new insights into how economic rationality interacts with moral cognition. By connecting empirical evidence with conceptual reasoning, this section clarifies the theoretical, managerial, and societal implications of treating fairness not as a constraint on profitability but as a foundation for sustainable market relationships.

The empirical findings of this study reaffirm the central proposition that price fairness perception serves as the psychological bridge between managerial pricing strategies and consumer loyalty. The results demonstrate that not all forms of price discrimination are perceived equally by consumers; rather, their acceptance depends on the transparency, controllability, and moral justification of the pricing logic.

Among the examined strategies, time-based and customer characteristics-based price discrimination had significant positive effects on fairness perception. These findings align with behavioral economics theory, which suggests that when consumers perceive control or rationale in pricing—such as choosing when to purchase (time-based) or being rewarded for loyalty (customer-based)—they interpret price differentiation as legitimate and fair (Thaler, 1985; Reinartz & Wiegand, 2019). These mechanisms fulfill the fairness principle embedded in the Dual Entitlement Theory, wherein firms' profit-seeking motives coexist with consumers' right to equitable treatment (Kahneman et al., 1986).

Conversely, location-based and quantity-based price discrimination did not produce significant effects on fairness perception. The weak results can be attributed to the absence of perceived fairness logic in such strategies. For instance, geographical price variation is often seen as arbitrary, particularly when production or delivery costs are not visibly different across locations. Similarly, quantity-based discrimination may disadvantage small-scale buyers, creating perceptions of inequality rather than efficiency. These outcomes underscore that economic rationality alone cannot justify differential pricing unless it is accompanied by a sense of procedural or distributive fairness.

Furthermore, the strong positive relationship between price fairness perception and repurchase intention validates fairness as a key behavioral determinant in consumer retention. This finding extends prior research (Vogel & Paul, 2015; Lii & Sy, 2009) by empirically showing that fairness is not a peripheral emotional reaction but a central cognitive schema that governs trust and long-term behavioral commitment. The confirmed mediation effect of fairness in time-based pricing particularly highlights that fairness acts as a moral lens through which consumers reinterpret managerial actions. In other words, fairness not only influences satisfaction but also legitimizes continued engagement with the brand. Collectively, these findings advance the understanding of pricing as a moral exchange process, where fairness perception transforms an economic decision into a relational and ethical experience. The study thus contributes to the emerging field of behavioral pricing by revealing that consumer reactions are not merely price-sensitive but also value- and motive-sensitive.

This research makes several substantive contributions to the academic discourse on pricing and consumer behavior, advancing both theoretical understanding and empirical validation of fairness mechanisms within price discrimination contexts.

First, it bridges classical pricing theory with behavioral economics, providing empirical evidence that consumers evaluate price differentials not purely on rational grounds but through moral and psychological lenses. This integration moves the pricing literature beyond transactional utility toward moral utility, emphasizing fairness as a mediating construct that translates price perception into behavioral outcomes.

Second, by distinguishing between four major forms of price discrimination, the study refines the conceptual understanding of how structural (time, location, quantity) and personal (customer-based) criteria differently influence fairness judgments. It demonstrates that fairness perceptions are context-dependent, moderated by controllability, transparency, and the perceived legitimacy of pricing motives.

Third, the findings expand the theoretical scope of Dual Entitlement Theory by confirming that fairness operates dynamically rather than symmetrically. Consumers are willing to tolerate certain profit-seeking behaviors if firms demonstrate procedural integrity and reciprocity. In this way, fairness functions as both a cognitive filter and a relational contract, legitimizing the moral boundaries of market exchange.

From a managerial perspective, the results of this study provide several important insights for designing and implementing pricing strategies in competitive and transparency-driven markets. The findings demonstrate that fairness is not merely a moral aspiration but a strategic lever that directly shapes consumer loyalty and repurchase behavior. Managers should therefore view fairness as a value-creating component of pricing policy rather than a limitation to profit maximization.

The significant impact of time-based and customer characteristics-based price discrimination on fairness perception suggests that pricing strategies rooted in transparency, logic, and controllability are more likely to foster trust and long-term engagement. Managers are encouraged to design price differentiation mechanisms that consumers can easily understand and justify, such as off-peak discounts, loyalty-based rewards, or personalized offers that reflect clear reciprocity. Communicating these rationales explicitly can strengthen consumers' belief in the legitimacy of the firm's pricing conduct.

Conversely, strategies such as location-based or quantity-based discrimination should be applied with caution, as they risk being perceived as arbitrary or exclusionary. When cost or logistical justifications are not visible to consumers, such approaches may erode perceptions of fairness and harm brand equity. To mitigate this risk, managers should ensure that all pricing policies are accompanied by clear explanations of their purpose and logic, allowing customers to perceive them as efficiency-driven rather than exploitative.

Ultimately, managers should recognize that consistent fairness in pricing cultivates not only consumer satisfaction but also reputational capital. In the long term, firms that institutionalize fairness as a core principle of their pricing strategy are more likely to sustain customer trust, differentiate their brand in crowded markets, and achieve profitability rooted in ethical legitimacy rather than opportunistic advantage.

By aligning economic objectives with fairness-oriented pricing, firms can transform price from a transactional variable into a relational signal of respect and integrity.

This research confirms that fairness is the moral currency of the marketplace. Pricing strategies that are logical, transparent, and consistent with consumers' sense of justice foster trust and drive long-term behavioral loyalty. Conversely, strategies that appear arbitrary or self-serving, even when economically efficient, undermine relational trust and brand equity.

By empirically validating the mediating role of fairness between price discrimination and repurchase intention, this study extends behavioral pricing theory and provides practical guidance for ethical, trust-based pricing design. The results ultimately affirm that in contemporary markets, profitability and fairness are not opposing goals but mutually reinforcing pillars of sustainable marketing strategy.

6 Limitations and Further Research

While this study makes significant theoretical and managerial contributions to the understanding of price discrimination and fairness perception, several limitations should be acknowledged, each of which opens meaningful avenues for future inquiry.

First, the empirical analysis was confined to the Azerbaijani telecommunications market, a sector that provides a relevant yet context-specific setting for examining price fairness and repurchase behavior. Although this environment offers a controlled and behaviorally rich context, the findings may not be fully generalizable across other industries or cultural ecosystems. Future research should therefore validate the proposed model across diverse sectors such as retail, hospitality, financial services, or digital commerce to explore potential contextual contingencies and cross-cultural variations in fairness evaluation.

Second, although the scenario-based experimental design adopted in this study enhances ecological validity and allows the controlled manipulation of pricing situations, it may not fully capture the emotional complexity and spontaneous decision-making processes that occur in actual market settings. Subsequent research could adopt hybrid methodologies—combining experimental and longitudinal designs—to trace the stability and evolution of fairness-driven behavioral responses over time. Such designs would provide deeper insight into how perceived fairness translates into sustained consumer loyalty beyond hypothetical scenarios.

Third, this research primarily conceptualizes fairness as a mediating mechanism, yet it does not account for other psychological or contextual moderators that may shape this relationship. Future studies could incorporate variables such as cultural orientation, trust disposition, perceived value, or digital transparency to offer a more comprehensive understanding of the fairness–loyalty linkage. Moreover, qualitative approaches—such as in-depth interviews, focus groups, or ethnographic fieldwork—could complement quantitative findings by uncovering the symbolic, emotional, and narrative dimensions through which consumers construct fairness judgments.

Overall, addressing these limitations would not only strengthen the external validity of the current model but also advance a more holistic understanding of how fairness perceptions are formed, negotiated, and sustained within the moral architecture of modern marketplaces.

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