GO-TO-MARKET & PRICING

What is price fairness? A reference and process problem

Price fairness depends on reference, cost or value explanation, process, and treatment. It is a perception object, not a legal verdict.

Sinan Isoglu, MBA (Quantic)

Commercial growth leader, lecturer and doctoral researcher

PUBLISHED
6 September 2026

READING TIME
4 min

WORDS
965

https://isoglu.com/insights/journal/what-is-price-fairness/

CONTENTS

MANAGEMENT SUMMARY

Price fairness is a buyer's judgment about whether a price or price change is acceptable relative to a reference, the seller's entitlement, the buyer's entitlement, and the process used to set or explain it. Kahneman, Knetsch, and Thaler show how reference terms and cost changes enter fairness judgments, while Bolton, Warlop, and Alba show how buyers can misread inflation and seller cost conditions. This article separates perceived fairness from legal compliance, willingness to pay, and observed purchase behavior, then gives a synthetic fairness record for reviewing price changes without assuming that explanation guarantees acceptance.

Keywords: Price Fairness · Perceived Price Fairness · Reference Price · Procedural Fairness · Price Increase · Customer Trust

A customer can accept a higher price and still describe the change as unfair. Another can reject a lower price because the process feels arbitrary. Fairness is not the same object as price level or purchase probability.

Price fairness is a perceived judgment that a price or price change is acceptable relative to a reference and a process. It is a behavioral and governance object, not a legal verdict.

The price-increase article owns the event of a price change and the reference carried into that event. This page owns the fairness record used to decide whether a change is explainable, consistent, and testable.

What determines perceived price fairness?

Keep four questions visible:

Table 1 What determines perceived price fairness?

Question	What it asks	Common mistake
Reference	Compared with which prior price, alternative, cost, or norm?	Calling the new price unfair without naming the comparison
Seller entitlement	Which cost, service, risk, or margin claim does the seller present?	Treating any cost increase as self-validating
Buyer entitlement	Which prior terms, service level, or expectation does the buyer believe should continue?	Treating the buyer's reference as the only economic fact
Process	Was the rule disclosed, consistent, timely, and open to explanation?	Assuming a true cost makes an opaque process fair

Table from this essay. Sources and interpretation are given in the article.

Kahneman, Knetsch, and Thaler describe a dual-entitlement logic in which buyers can feel entitled to reference terms and firms to a reference profit. Their experiments distinguish acceptable cost pass-through from exploiting a demand shift, within the contexts studied (Kahneman et al., 1986).

Bolton, Warlop, and Alba show that buyers may underestimate inflation and overattribute price differences to seller profit, while missing vendor cost conditions. That finding makes explanation relevant, but it does not prove that explanation will change behavior in every market (Bolton et al., 2003).

What does a fairness record look like?

The six rows are synthetic. They contain no customer response, legal judgment, or commercial price. They show the fields that should remain separate before a price change is released.

Figure 1 The synthetic price-fairness record

ID	Change context	Buyer reference	Seller explanation	Process state	Later observation
F-01	Supplier cost increase	Prior contract price	Cost pass-through and date disclosed	Consistent rule; notice sent	Acceptance to observe
F-02	Demand surge	Prior normal price	Scarcity claim without cost evidence	Exception not explained	Fairness concern to observe
F-03	Service reduction	Same price and prior service	No explanation for unchanged price	Process review required	Renewal behavior unknown
F-04	Segment-specific increase	Comparable account terms	Segment rule and value difference documented	Authority and exception named	Compare response by segment
F-05	Temporary discount expiry	Discounted invoice price	Expiry date stated at entry	Reference conflict recorded	Requote or churn to observe
F-06	Cost decrease	Current price and lower input cost	No pass-through rule declared	Hold for policy review	Buyer response unknown

Author's synthetic fairness record grounded in Kahneman, Knetsch and Thaler (1986), Urbany, Madden and Dickson (1989), and Bolton, Warlop and Alba (2003). References, explanations, process states, and responses are illustrative, not legal findings or observed customer data.

F-02 shows why a demand increase and a cost increase should not be put in the same fairness bucket. F-04 shows why a consistent segment rule can still require a separate value and reference explanation. F-06 shows that an unchanging price can also be a fairness question when the service or cost context changes.

Is fairness the same as willingness to pay?

No. A buyer may be willing to pay a price and still regard its process as unfair. A buyer may call a price fair and still lack budget or urgency. Fairness is a judgment about reference and entitlement; willingness to pay is a valuation or choice object; purchase is an observed behavior under constraints.

Urbany, Madden, and Dickson argue that cost justification can legitimize an increase in the studied setting, while their reported fairness perceptions were not significantly related to behavioral intentions. The result is a useful warning against treating a fairness explanation as a guaranteed conversion mechanism (Urbany et al., 1989).

How should a team review a price change?

1. Name the old price, new price, unit, currency, date, and affected population.
2. Record the buyer reference and the seller entitlement separately.

3. State the cost, value, scarcity, service, or policy explanation.
4. Test consistency across comparable buyers and exceptions.
5. Record notice, timing, owner, authority, and remedy.
6. Observe acceptance, renegotiation, delay, churn, or complaint under a declared window.
7. Keep fairness judgment separate from legal review, margin, and willingness-to-pay analysis.

The process can be fair in its rule and still fail commercially. That is an outcome finding, not proof that fairness was absent.

What is price fairness not?

It is not a universal threshold, a legal conclusion, a willingness-to-pay estimate, or a guaranteed retention effect. It is not the same as price level, price realization, or margin. It is a declared perception and process question that should be reviewed alongside economic and behavioral evidence.

Before asking whether a price is fair, name the reference, entitlement, explanation, process, comparison set, and later behavior that make the question answerable.

The price-realization article answers what survives the transaction boundary, while this page asks how that exchange is judged.

Bolton, L. E., Warlop, L., & Alba, J. W. (2003). Consumer perceptions of price (un)fairness. Journal of Consumer Research, 29(4), 474-491. DOI

Kahneman, D., Knetsch, J. L., & Thaler, R. H. (1986). Fairness as a constraint on profit seeking: Entitlements in the market. American Economic Review, 76(4), 728-741. Source page

Urbany, J. E., Madden, T. J., & Dickson, P. R. (1989). All's not fair in pricing: An initial look at the dual-entitlement principle. Marketing Letters, 1(1), 17-25. DOI

END OF ESSAY

HOW TO CITE THIS ESSAY

Isoglu, S. (2026, September 6). What is price fairness? A reference and process problem. Sinan Isoglu. https://isoglu.com/insights/journal/what-is-price-fairness/

KEEP READING

Go-to-market & pricing
The price increase is judged before it is paid.
https://isoglu.com/insights/journal/the-price-increase-is-judged-before-it-is-paid/

Go-to-market & pricing
What is a price corridor? A defensible range before a point price
https://isoglu.com/insights/journal/what-is-a-price-corridor/

Go-to-market & pricing
Dynamic pricing needs a trigger, constraint, and explanation
https://isoglu.com/insights/journal/dynamic-pricing-needs-a-trigger-constraint-and-explanation/

SI

Sinan Isoglu, MBA (Quantic)
Commercial growth leader, lecturer and doctoral researcher

Online version: https://isoglu.com/insights/journal/what-is-price-fairness/