The Roles of Inferred Motive and Switching Costs on the Relationship Between Price Discrimination, Price Fairness Perception, and Repurchase Intention

Research on Azerbaijan GSM operators

Ph.D. Thesis

Galandar MAMMADLI

Graduate School

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The Department of Business Administration

Supervisor: Prof. Dr. Gülfidan BARIŞ

Eskisehir,

Anadolu University

Graduate School

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ABSTRACT

This study investigates the understudied connections between price discrimination, perceived fairness, and consumer behavior in an oligopoly market with different levels of switching costs. Addressing gaps in existing research, it employs a quasi-experimental design utilizing scenarios and questionnaires to evaluate the impact of various price discrimination practices on price fairness perception and repurchase intention of consumers. The causal relationship in the study was conducted using an experimental design as mentioned above. The study used a one-group-only post-test quasi-experimental design. The participants were presented with scenarios and posters and then asked to give an evaluation of the situation. Key findings reveal that customer characteristics-based discrimination, as the sole practice, is significantly influencing price fairness perception. Notably, the consumer's inferred motive for price discrimination practice has served as a crucial mediator, highlighting the importance of perceived justification in forming price fairness perceptions. In addition, it was found that price fairness perception had a direct impact on both the pain of paying and repurchase intention. Notably, while switching costs emerged as a significant moderator in the relationship between price fairness perception and repurchase intention, it does not have any impact on the relationship between the pain of paying and repurchase intention. These findings provide valuable insights for firms navigating the sensitive balance between profitability and consumer loyalty in oligopolistic markets. Understanding how consumers interpret the motives behind pricing strategies is a critical fact, even though certain practices of price discrimination may be fundamentally inconsistent with price fairness. Moreover, taking advantage of high switching costs can be a valuable tool for retaining customers even in the face of potential fairness concerns.

Keywords: Price discrimination, Price fairness perception, Repurchase intention, Inferred motive, Switching costs

ÖZET

Bu çalışma, farklı seviyelerde değiştirme maliyetleri olan bir oligopol piyasasında fiyat ayrımcılığı, algılanan adalet ve tüketici davranışı arasındaki az çalışılmış bağlantıları araştırmaktadır. Mevcut araştırmalardaki boşlukları ele alan bu çalışma, çeşitli fiyat ayrımcılığı uygulamalarının fiyat adaleti algıları ve tekrar satın alma niyeti üzerindeki etkisini değerlendirmek için senaryolar ve anketler kullanan yarı-deneysel bir tasarım kullanmaktadır. Çalışmada tek gruplu son-test yarı-deneysel tasarım kullanılmıştır. Katılımcılara senaryolar ve posterler sunulmuş ve ardından durum değerlendirmesi yapmaları istenmiştir. Temel bulgular, müşteri özelliklerine dayalı fiyat ayrımcılığının fiyat adalet algısını önemli ölçüde etkileyen tek fiyat ayrımcılığı uygulaması olduğunu ortaya koymaktadır. Özellikle, tüketicinin farklılaştırmaya ilişkin çıkarımsal güdüsü, fiyat adaleti algılarını şekillendirmede gerekçelendirmenin etkisini vurgulayarak önemli bir aracı değişken görevi icra etmiştir. Fiyat adaleti algısının hem ödeme acısı hem de yeniden satın alma niyeti üzerinde doğrudan bir etkisi olduğu bulunmuştur. Özellikle, değiştirme maliyetleri fiyat adaleti algısı ile yeniden satın alma niyeti arasındaki ilişkide önemli bir moderatör olarak ortaya çıkarken, ödeme acısı ile tekrar satın alma niyeti arasındaki ilişkide herhangi bir etkiye sahip değildir. Bu bulgular, oligopolistik piyasalarda kârlılık ve tüketici sadakati arasındaki hassas dengeyi gözeten firmalar için değerli bilgiler sağlamaktadır. Belirli fiyat ayrımcılığı uygulamaları temelde fiyat adaleti ile tutarsız olsa bile, tüketicilerin fiyatlandırma stratejilerinin arkasındaki güdüleri nasıl yorumladıklarını anlamak kritik bir olgudur. Dahası, yüksek değiştirme maliyetlerinden faydalanmak, potansiyel adalet kaygıları karşısında bile müşterileri elde tutmak için değerli bir araç olabilir.

Anahtar Kelimeler: Fiyat ayrımcılığı, Fiyat adalet algısı, Tekrar satın alma niyeti, Çıkarımsal güdü, Değiştirme maliyetleri

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ÖNSÖZ

Bu tez çalışmasına başlarken ve bugün arasında geçen süreçte dünya epey değişti, tabii ki, ben de değiştim, hayatım da değişti. Mevlâna`nın bir sözü var: "Hamdım, yandım, piştim". Gerçekten de, süreç hem beni olgunlaştırdı, hem fikirlerimi, hem de tezimi. Araya 1 pandemi, dünyada birkaç savaş, farklı sorumluluklar ve farklı görevler girerken, bütün tez dönemimde beni yalnız bırakmayıp, destek veren güzel insanlar vardı. Ben tezin bu kısmında o insanlara teşekkürlerimi bildirmek istiyorum.

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Symbols and Abbreviations

AVE	: Average Value Extracted
AZN	: Azerbaijan Manat
GSM	: Global System for Mobile Communications
NFI	: Normal Fit Index
NYOP	: Name your own price
OECD	: Organisation for Economic Co-Operation and Development
p	: Significance level
PLS SEM	: Partial Least Squares Structural Equation Model
POP	: Pain of Paying
PPF	: Perceived price fairness
PWYW	: Pay what you want
Q^2	: Quality of construction
R	: Correlation coefficients
R^2	: Variance explained
SRMR	: Standardized Root Mean Square Residual
WTP	: Willingness to pay

1. Introduction

In an economic context, price serves as a fundamental mechanism for regulating interactions, competition, and the flow of resources between individuals and businesses. From an individual point of view, price represents the perceived value associated with acquiring a specific benefit or set of benefits, ultimately acting as the primary driver of profitability. It is crucial to recognize that consumer purchasing decisions often lead to heavily influenced comparative analysis of the perceived "value" of a product versus its actual "price." Consequently, companies must meticulously consider a multitude of factors when establishing their pricing strategies.

Pricing is a strategic decision that can have a significant impact on the success of a business. If a company fails make the right economic decision when setting its price, it may have two outcomes: i) *setting the price above the expected value*- in this case, the firm will have less income than expected, because it cannot reach enough consumers in the market; and ii) *arranging the price lower than expected* –in this case, the firm will earn profits below its potential. Pricing in economics involves the point where supply and demand converge, however pricing becomes more complex when financial factors such as profitability, payback period, and return on investment are involved (Monroe, 1973). Considering market dynamics and demand elasticity is crucial when developing pricing strategies, as they have a significant impact on a company's profit estimation (Gans et al., 2018; Kotler & Keller, 2016). Pricing strategies account for a primary subject in economics, finance, and marketing.

To gain a competitive advantage and increase their market share, companies may adjust their price differently for the same product for different groups of consumers according to their willingness to pay (Stole, 2007). This can be achieved through various methods of price discrimination, such as time-based, volume-based, location-based, consumer characteristics-based, and channel-based price discrimination.

The history of price discrimination goes back to the 1920s. This concept, known as price discrimination by economists was first emphasized by Pigou (1920) and was related to pricing in monopoly markets (Pigou, 1920). Price discrimination was prohibited as an anti-competitive practice, particularly under the Robinson-Patman laws in 1936. Even though this law has been in effect for many years, it has been criticized by several

people who believe that it should be repealed (Clark, 1995). In 1951, Rowe's article published a severe critique of the Robinson-Patman Act, asserting that the law was unnecessary. The Sherman Act, established in 1890, was considered sufficient for preventing monopoly and antitrust practices. Furthermore, the Robinson-Patman Act was deemed difficult to understand due to past ambiguous practices (Rowe, 1951). The Fred Meyer decision is the most significant application of the Robinson-Patman Act. In this case, in order to gain a competitive advantage, a seller-provided goods to another small business at a reduced price. The Federal Trade Commission found this to violate the Act, and the decision helped to establish a framework for combating price discrimination (Feinberg, 1970). Varian's (1987) analysis of FTC court cases and proceedings is crucial to the distinction between the legal and economic perspectives on price discrimination. The economic perspective argues that there are situations where price discrimination can increase welfare. Two different forms of defence made by Standard Oil have set a precedent for many decisions in similar situations: i) price discrimination due to increases in costs, ii) price discrimination by competitors to gain an advantage. In addition, the role of certain discounts and concessions to consumers in price discrimination has also been subject to scrutiny (Varian, 1987).

Almost 64.4% of the world's population has internet access, and 39 % of them shop online. Internet use grew by 1.9% over a year (Wearesocial, 2023). The development of the internet and the rise of e-commerce have expanded the use of price discrimination. Today, price discrimination is used quite frequently by companies. These applications are more common, especially for telecommunication, taxi, tourism, and air transportation services. The first known application of price discrimination in e-commerce was made by "Amazon". Specifically, various prices were presented for different customer groups, taking into consideration the ability to pay or willingness to pay for the same products by using consumer data. This issue, which one of the consumers discovered after cleaning the cookies from their browser, eventually created great anger and outrage among the consumers against the company. After the reactions of consumers who felt unfair and deceived, the company had to apologize. (Hinz et al., 2011). Due to the wide range of options available to consumers and the convenience of online shopping, the effort required to search for products is reduced compared to traditional shopping. As a result, consumers have more power over companies and can switch to competing brands if they feel there is a sense of unfairness or injustice. After this case, the effects of price

discrimination on the price fairness perception became a matter of curiosity among both academics and companies in the private sector. In some research, if the firms explain their motive behind price discrimination what kind of effect it creates on the price fairness perception is examined. As the results of such research indicate, if a consumer perceives the firm intends to gain an advantage, he or she develops a negative attitude towards the firm (Campbell, 1999). But if consumers see that switching to a rival cost more, they are more likely to drop the idea, and stay with the same brand. To prevent consumers from switching brands, companies should introduce relational, financial, and psychological switching costs. At the same time, companies need a deep understanding of customers' emotions, perceptions, and behaviours for their pricing actions (Reinartz & Wiegand, 2019; Vogel & Paul, 2015).

The main aim point of this study is to examine the impact of price discrimination strategies on consumers' perceptions of price fairness and their intention to repurchase the products that offer price discrimination. In sum, one of the primary aims of this study is to investigate the impact of various price discrimination strategies on the likelihood of consumers making repeat purchases. In addition, this study also seeks to answer how do consumers perceive and react (i.e., repurchase) to the price discrimination strategies based on the inferred motives for the price discrimination and switching cost perceptions.

1.1. Problem statement

The impact of price discrimination types on consumer behavior has been discussed by academics for years (Homburg et al., 2017; Kannan & Kopalle, 2001; Reinartz & Wiegand, 2019; Vogel & Paul, 2015). It has been suggested that if consumers understand the mechanisms of price discrimination, they can reduce their bills and expenditures by selecting the appropriate tariffs (Haucap & Heimeshoff, 2011). According to the dual entitlement principle, consumers seek to maximise their welfare, while firms seek to maximise their profits (Kahneman et al., 1986b; Lii & Sy, 2009). Consumer expectations may be altered if the implementation is done correctly and transparently (Kannan & Kopalle, 2001). If the relationship favours the firm, customers will perceive it as unfair (Choi & Mattila, 2009). Consumers generally assess the price fairness perception of price discrimination by examining the conditions transparently (Reinartz et al., 2017). According to price discrimination studies, 74.8% of consumers think that price discrimination is unfair. Actually, the rates about customers who took the advantages of

price discrimination dropped to 65.2%. Even the beneficiaries are contrary to price discrimination because they think it might turn against them another time (Reinartz & Wiegand, 2019).

Price discrimination occurs based on various factors, including customer characteristics, time, performance, location, channel, and volume as noted by Corrocher and Zirulia (2010), Klein and Loebbecke (2000), and Reinartz et al. (2017). The evolution of technology has led to an increase in sales through both traditional and online channels, particularly in the retail industry, resulting in multi-channel pricing discrimination (Fassnacht & Unterhuber, 2016; Haucap & Heimeshoff, 2011; Vogel & Paul, 2015; Wolk & Ebling, 2010). Price discrimination is a common tool and practice for multichannel retailers. After collecting browsing data, it is very easy for companies to offer the same products at different prices according to consumers` willingness to pay (Reinartz & Wiegand, 2019). This leads to price discrimination between the two channels, which is described as multi-channel pricing (Fassnacht & Unterhuber, 2016; Haucap & Heimeshoff, 2011; Vogel & Paul, 2015; Wolk & Ebling, 2010).

Channel-based price discrimination improves relationship quality, as well as, repurchase intention (Vogel & Paul, 2015). Paul and Beckmann's (2012) study examined the impact of price discrimination on customer retention in the mobile telecommunications sector. The study investigated the primary methods of channel-based price discrimination, including online discounts and coupons. The study found that the operational costs associated with physical stores result in higher prices than online. Based on the research, the use of channel-based price discrimination affects customer retention (Paul & Beckmann, 2012). According to literature, there is a relationship between price fairness and customer behaviour (Fassnacht & Unterhuber, 2016; Fernandes & Calamote, 2016; Lii & Sy, 2009; Vogel & Paul, 2015).

The research about channel-based price discrimination confirms that multichannel retailers do not widely use online and offline price discrimination. However, it is important to note that price-differentiated products are consistently cheaper online and have a higher depth of discount. It is also worth noting that the depth of discounts and the share of products sold at a discount online can vary across product categories (Kiczmachowska et al., 2023).

Beyond all, marketers and companies need to understand when the prices will be fair or unfair to consumers. The rational behind price discrimintion is one of the most important factors that affects price fairness perception of consumers. If the inferred firm motive for price discrimination is acceptable, it will be seen as fair (Reinartz et al., 2017). There are two types of motives: negative and positive motives. If the reason for price discrimination is due to scarce resource arrangements, or taking advantage of employees, it is "good" and creates a positive motive. If companies intend to misuse price discrimination to take advantage of the market and maximise profit, then consumers infer this motive as "bad" and this creates a negative motive (Campbell, 1999). Bad motives will be perceived as unfair (Reinartz et al., 2017). Therefore, firms should communicate and give information about their motives for price discrimination implementations to their target market. They need to mitigate the negative effects of price fairness perception (Homburg et al., 2017). Price fairness perception has an impact on consumer behaviour (Lii & Sy, 2009). Maintaining a long-term relationship with clients is also another important factor, hence perceived switching cost is a significant defense weapon that permits a company to gain more revenue from the marketing perspective.

In view of the above, the impact of price discrimination on perceived price fairness and repurchase intentions should be investigated, as well as the role of inferred firm motives and switching costs. In contrast to previous studies, this study aims to compare the effects of different price discrimination methods. Furthermore, it challenges the traditional notion that customer characteristics-based price discrimination favours young customers over older ones, and time-based price discrimination examines differences between daytime and nighttime rather than over a longer time interval.

1.2. Research Objective

This study aims to learn more about the effect of price discrimination on price fairness perception and consumer behaviour. Price discrimination is a very useful profit maximisation tool for companies. However, if used carelessly and incorrectly, it can provoke reactions from consumers. Therefore, it is important to determine how to explain the price difference to consumers to avoid confusion. People may react differently to various methods of price discrimination. For instance, the effects of quantity-based price discrimination, time-based price discrimination, location-based price discrimination consumer characteristics-based price discrimination etc. can cause different price fairness

perception and consumer behavior. In this study, the aim in this study is to address the following research questions.

- Do all price discrimination methods affect fairness perceptions equally?
- If there is a difference in the perception of fairness, which is the most effective method of price discrimination?

Inferring whether the motives for price discrimination being negative or positive may have an impact on consumers' price fairness perception. Furthermore, a consumer who perceives unfair treatment may cease repeat purchases from the same company and switch to its competitors. In this study, once more, we aimed to address the following research questions:

- When a consumer is offered different price discrimination methods, will her/his evaluations of the firms' price discrimination motives (inferred motives) be negative or positive? And,
- Will it remain consistent across all price discrimination applications or vary depending on each one?
- If a consumer perceives unfair treatment in price discrimination, will he/she make repeat purchases from the same company or switch to its competitors?

Furthermore, companies also need to consider whether switching costs within the sector affect the likelihood of consumers retaining their brand or not.

- Do switching costs prevent consumers from abandoning the brand that is implementing different pricing discrimination strategies?
- How do high or low switching costs affect these relationships?
- Is it possible to use switching costs to ensure that consumers remain loyal to a brand even when they feel unfairness in that transaction?

This study was designed to measure and collect responses based on the above questions. To summarize, the research's objectives are divided into the following categories:

- The study examines how price discrimination affects both price fairness perceptions and repurchase intentions. Moreover, determining which of the different types of price discrimination is more effective in terms of fairness and repurchase will offer insightful ideas to the pricing literature.

- It is unclear whether there is any mediation by inferred motive in the relationship between price discrimination and price fairness perception. Finding out the answer will be beneficial.
- The discussions in the pricing literature have mostly focused on whether increasing or decreasing switching costs affects the relationship between perceptions of price justice and repurchase intentions. Here, exploring the effect of switching cost in some price discrimination settings is aimed.

Research Objectives	Research Problem	Research Questions	Hypotheses
The literature review suggests that there is limited research on the connection between price discrimination and perceptions of price fairness. The existing studies mainly focus on e-commerce and airline industries. These studies often evaluate the impact of single pricing methods on other concepts, without comparing different differentiation methods. Furthermore, the previous research primarily uses questionnaires and scenarios targeting students. Additionally, when examining time-based comparisons, only the long-term effects are considered, disregarding price differences in short runs. Moreover, there is a noticeable lack of academic studies focusing on consumer behaviour in oligopoly markets. To address these gaps, it is essential to explore the relationships between price discrimination, perceptions of price fairness, and repurchase intention in alternative sectors and scenarios using nonstudent samples.	The study examines the effect of price discrimination ways on consumers' price fairness perception.	How do different price discrimination methods affect the price fairness perception?	**H1:** Price discrimination has a significant effect on the price fairness perception. **H1a:** Time-based price discrimination has a significant effect on the price fairness perception. **H1b:** Quantity-based price discrimination has a significant effect on the price fairness perception. **H1c:** Location-based price discrimination has a significant effect on the price fairness perception. **H1d:** Customer characteristics-based price discrimination has a significant effect on the price fairness perception.
	It is unclear whether there is any mediation by inferred motive in the relationship between price discrimination and consumers' price fairness perception. Hence it will be beneficial to explore the mediating role of inferred motive.	How does a consumer's inferred motive for the firm's price discrimination aims to affect the relationship among price discrimination methods and perceived price fairness of consumers?	**H2** Price discrimination has a significant effect on consumers' inferred motives. **H3** Inferred motive mediates the relationship between price discrimination and price fairness perception.

Research Objectives	Research Problem	Research Questions	Hypotheses
	In the context of price discrimination, price fairness perception can lead consumers to view the situation as either unjust or advantageous (inferred motive). This situation may trigger consumers' negative emotional states and increase the pain of paying, and as a result, consumer's repurchase intention may decrease. The impact of price fairness perception on emotions (pain of paying) and behaviour (repurchase) needs to be explored.	Is there any relationship between consumers' price fairness perception and the pain of paying? How does the pain of paying effect the relationships between fairness perception and repurchase intention?	**H4** Price fairness perception has a significant effect on the pain of paying. **H5** Pain of paying mediates the relationship between price fairness perception and repurchase intention. **H6** Price fairness perception has a significant effect on the repurchase intention.
	Discussions in the literature have mostly focused on whether increasing or decreasing switching costs affects the relationship between perceptions of price justice and repurchase intentions.	What is the role of switching costs when price fairness perceptions, pain of paying and repurchase intentions are considered?	**H7** Switching cost moderates the relationship between price fairness perception and repurchase intention. **H8** Switching cost moderates the relationship between the pain of paying and repurchase intention.
	Determining which of the different types of price discrimination strategy is more effective in terms of fairness and repurchase will offer insightful ideas to the literature.	Is there any relationship between different methods of price discrimination strategies and price fairness perceptions? Which method is more effective when compared? Especially in terms of repurchase intention.	**H9** Consumers` price fairness perception and repurchase intention vary according to price discrimination methods; namely, time-based, quantity-based, location-based and customer characteristics-based price discriminations.

Table 1. The Hierarchical Flow of the Research Objectives and Hypotheses

Considering the research problems and questions (please refer to Table 1), the research model was designed as shown in Figure 3 (please refer to Figure 3 in Chapter 3). As can be seen from the Figure 3, price fairness perception and repurchase intention are presented as the dependent variables of our research, and price discrimination is presented as the independent research variable. Inferred motive and pain of paying are the mediating variables, while switching cost is the moderating variable of our research.

1.3. The Importance of the Thesis

The concept of price discrimination has been examined from a number of different angles, together with its many and varied implications in different areas. Price can be used as a tool to increase company profits through price discrimination, as it is the only profit-generating factor in the marketing mix. A variety of approaches to price discrimination can be found both within practice and within the literature. However, there is a lack of research comparing different types of price discrimination strategies. The primary contribution of this study to the literature is to identify consumer responses (i.e., repurchase intention) to different types of price discrimination practices, including time-based, quantity-based, location-based, and customer characteristic-based.

There is also evidence that some price discrimination practices are determinants of consumers' price fairness perceptions (Lii & Sy, 2009; Martin et al., 2009; Vogel & Paul, 2015; Wolk & Ebling, 2010). Consumers have an interest on why the firm is applying price discrimination strategy. Hence, while evaluating price fairness arising from price discrimination, the rationale behind the discrimination should be taken into account. This study tries to investigate consumers' reactions considering the changes in the price fairness perceptions ignited by the reason behind the price discrimination (i.e. inferred motive). Inferred motive phenomenon has been examined in the context of price increases and price changes previously. In this research, inferred motives will be examined alongside different price discrimination practices. It will be another contribution to the pricing literature.

In addition, it is crucial not to ignore the impact of switching costs on consumers' decisions and actions. In particular, studies have been conducted on the role of switching cost in the context of satisfaction, dissatisfaction and loyalty maintenance (Baloglu et al., 2017; Bergel & Brock, 2018; Blut et al., 2015; de Matos et al., 2009; He et al., 2009; Lee et al., 2001). The relationship among switching costs; consumers` price fairness

perceptions and different price discrimination methods will be explored in this study, and this will add up as an important contribution to the literature.

In addition, an important contribution would be exploring the impact of day and night price discrimination on the price fairness perception. So, this research will take time-based price discrimination as day and night price differences. Furthermore, gender-based discrimination in pricing is very common when dealing with customer-based discriminatory pricing practices. In this study, customer-based price discrimination will be based on age.

Investigating the impact of price discrimination on price fairness perceptions and consumer behavior in oligopoly markets, one of the forms of imperfectly competitive markets, is an important contribution to the literature. This research on price discrimination in oligopolistic GSM operators' market is unprecedented. The study was conducted on Azerbaijani consumers using four different price discrimination methods in a single sector. Price discrimination as a marketing tool has never been the subject of academic research in Azerbaijan.

1.4. Assumptions

Some assumptions need to be accepted before starting the study. The assumptions are as follows:

- There are relationships among all variables which have been used in this research.
- The participants correctly and sincerely answered the questions.
- The quantitative method is an acceptable research method for data collection and analysis for the research purposes.
- Choosing the GSM operators sector to track price discrimination is the right choice for the research purposes.

1.5. Limitations

The study used an experimental design to collect data. As a major limitation, it should be noted that the experiments were not carried out in a real shopping environment. Moreover, the study was limited in scope by focusing only on the most common price discrimination practices in the Azerbaijani market. Therefore, the generalization of the results is limited to price discrimination cases using the selected methodologies.

Previous research and literature have shown that a variety of factors influence both consumer behavior and the perception of price fairness. This study is limited only to measuring the effects of selected variables, like price discrimination, inferred motive, pain of paying, switching costs.

For the scenario-based experiment, a questionnaire was chosen as the data collection method. The assumption is that all participants understood the questions and were truthful in their responses. Nonetheless, certain individuals' thoughts may have been incongruent with reality at the time of the questionnaire. This is an important limitation of the study that should be considered.

The research population includes the entire population of Azerbaijan, as all citizens of Azerbaijan use GSM operators` services. Since it is difficult to reach all members of the population due to money and time constraints, selecting a representative sample is another constraint. Therefore, for each scenario of price discrimination methods, a sample was chosen to reflect the population and respondents were randomly assigned to these cells. The results obtained were projected to the population. This can be seen one of the most influential constraints.

1.6. Dissertation Outline

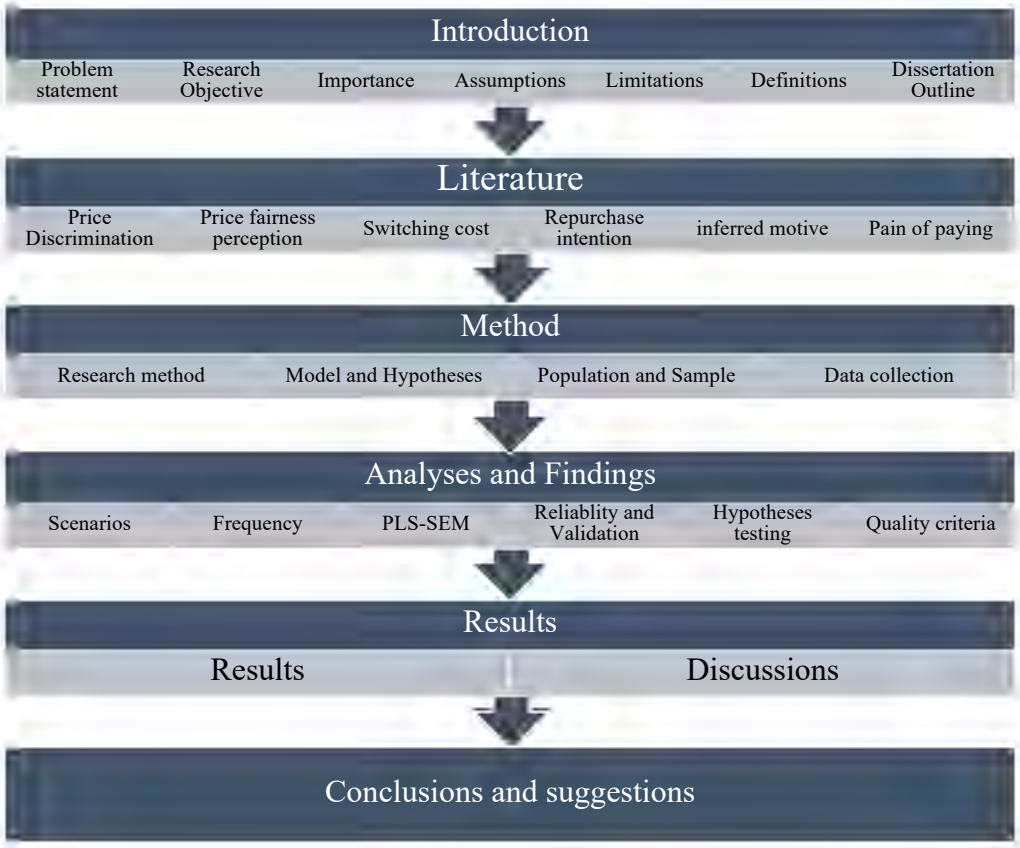

Table 2 The Organization of the Dissertation

Table 2 presents an overview of the dissertation. The introduction section commences with a problem definition and encompasses the objective, significance, assumptions, constraints, and definitions. The literature review constitutes the second part of the thesis and encompasses the literary evolution of the concepts. This chapter serves as the foundation for hypothesis development and analysis. In the third chapter, the methodology section covers the research method, model, hypothesis, sample selection, data collection, analysis, and findings.

The results and discussion sections are then followed by recommendations and guidance for both academic and private sectors.

CHAPTER 2: THEORITICAL FRAMEWORK

2.1. Price Discrimination

The concept of pricing and price has been a curiosity topic for marketers and academicians for many years. Especially, being the only income generating factor for companies increases the importance of pricing (Kintler & Remeňová, 2020; Monroe, 1973). Monroe (1973) categorized the previous studies on price as single-cue and multi-cue studies in the context of price-quality relationship. In single-cue studies, price is the only tool manipulated to the consumer, whereas in multi-cue studies, in order not to reduce the research to the price-quality relationship, conditions such as competitive conditions and product quality are manipulated in addition to price. Price discrimination, the practice of charging different prices for the same product or service to different consumers, is a ubiquitous marketing strategy (Varian, 1987). To optimize revenue, companies engage in price discrimination, strategically varying prices for the same product or service across different customer segments (Stole, 2007). This practice exploits the concept of heterogeneous willingness to pay (WTP), assuming individuals hold varying valuations for the same offering (Choudhary et al., 2005). As a result of different consumer tastes and preferences, firms implement both uniform pricing and price discrimination strategies to maximize revenue (Esteves, 2009; Khan & Jain, 2005; Mehra et al., 2012; Pancras et al., 2016; Vogel & Paul, 2015; Wolk & Ebling, 2010). Although various definitions are given in the literature for price discrimination, it is possible to clearly observe that definitions have become more evident and improved over time.

Since the concepts of price discrimination and price differentiation are used separately in the literature, it is possible to say that there is a confusion of meaning. Price differentiation and price discrimination are distinct phenomena in the literature. Price differentiation is a competitive factor that increases revenue due to cost differences (Bafanov et al., 2022). It is also a differentiated pricing practice used in a competitive market due to differences in product dimensions, as noted in another study (Si, 2021). However, the concept of price differentiation is essentially the same as that of price discrimination in definition and content in the majority of the remaining studies (Fumasi, 2013; Kiczmachowska et al., 2023; Kintler & Remeňová, 2020; Stupnikova, 2020). Philips (1983) emphasizes that what economists cannot follow, but marketers insist on, is that "price discrimination"

should be used in the case of an illegal and bad case and "price differentiation" in the case of a positive case (Philips, 1983). Borgesius (2007), used these two concepts interchangeably in his study (Borgesius, 2007). In this thesis, no distinction is made between price differentiation and price discrimination and both concepts are used as price discrimination.

Discussing price discrimination, the main emphasis was originally on the term which means negatively “discrimination”. Dictionaries are considered as the ability to differentiate between one product and another, and to treat a group differently due to age, gender, skin color and ethnicity (Oxford, 2024).

Many of the definitions are structured based on the definition made by Stiegler (1966). Price discrimination is when firms sell identical products to different customers at different prices (Stigler, 1966; Varian, 1989). But this definition is not sufficient and a new one is needed that considers costs. Price discrimination is most obvious when the good is non-transferable in nature or when contractual obligations prevent it from being transferred. Different consumers are charged different prices, but the price difference is not explained by cost differences. Therefore, it is necessary to emphasize the importance of marginal cost (Stavins, 1996). Thus, price discrimination was defined as the sale of two or more similar goods with different rates of marginal costs at different prices (Stigler, 1966). The traditionally accepted basic definition of price discrimination was to sell the same or homogeneous commercial goods to different customers at different prices (Clerides, 2004; Gans et al., 2018; Machlup, 1955; Maxwell & Garbarino, 2010; Petrovic & Petrovic, 2015; Varian, 1987). Existing definitions of price discrimination face two limitations. First, they can fail to account for legitimate price variations due to transportation costs and similar expenses incurred during the sale. Second, even uniform pricing can inadvertently lead to price discrimination by failing to recognize heterogeneity in consumer preferences and willingness to pay (Varian, 1987). Since the marginal evaluations of customers exposed to different prices will be different, differentiation will be inevitable (Hausman & MacKie-Mason, 1988).

Although some economists believe that price discrimination is only possible when the cost of similar products is different, others have shown that it can also be effective when the products are priced differently. Two key concepts are often considered in this context: the difference in price-to-cost ratios between two types of the same good, and

the potential for additional profit margins that can be gained by exploiting these differences.(Clerides, 2004).

Price discrimination in monopoly markets with product differentiation is also applied by companies to maximize profit (Ekelund, 1970). Hence, the definition of price discrimination in a wider scope is made as follows: When two 'similar' products with the same marginal cost are sold at different prices by the company, price discrimination occurs (Armstrong, 2006; Crompton, 2016; Stole, 2007). In another definition that deals with price discrimination as company policy, it is stated as follows: applying different prices to provide a competitive advantage to a group of buyers (Dibb & Simkin, 2007). As can be seen from the definition, it is emphasized that the consumers are grouped and differentiated for certain consumer groups and segments (Crompton, 2016; OECD, 2022; Stavins, 1996; Stole, 2007).

In another definition, Bishop & Colwell (1991) takes different prices to different buyers considering the sensitivity of consumers of a particular good or service to the price change in the definition that it considers the emotions and sensitivities of consumers (Bishop & Colwell, 1991). In some definitions, the willingness of the consumer to pay is also considered (Mikians et al., 2013).

However, the vast majority of academic discourse surrounding price discrimination primarily focuses on two key areas: the discriminatory practices themselves and their subsequent impact on production, profit, and business policies (Guthrie, 1950).

The analysis of price discrimination diverges across disciplines: economic evaluation prioritizes the impact on market structure and efficiency, while financial assessment hinges on cost-income dynamics and targeted cost management (Clerides, 2004; Ekelund, 1970; Hausman & MacKie-Mason, 1988). Despite ongoing scholarly debate surrounding the ethical and economic implications of price discrimination, its analysis has remained firmly anchored within the disciplines of economics and finance. (Clerides, 2004; Ekelund, 1970).

The economic analysis of price discrimination grapples with two fundamental tensions: its potential to enhance seller profitability, driving market efficiency, versus its tendency to distort resource allocation, potentially jeopardizing social welfare among consumers (Hausman & MacKie-Mason, 1988). In addition, the comparison of stocks,

subsidiaries, and input prices can also be considered as an assessment of price discrimination within finance and accounting. While increasing the market price of inputs in the monopolist unintegrated sector, it can indirectly lower the internal price to the subsidiary by increasing the production of final goods. Arbitrage between the two sectors is hampered by this vertical integration strategy (Perry, 1978).

Especially since the rise of the e-commerce tradition and trend has resulted in better monitoring of the consumers, the definitions have been shaped a little further in this regard. While traditional definitions have turned into consumer-centric ones, definition forms based on individual behavior for each consumer have started to emerge. The main point that emerges here is how much information the company has about the consumer (Borgesius & Poort, 2017; Hannak et al., 2014; Mikians et al., 2012; Poort & Borgesius, 2019). Behavioral price discrimination is the newest form of price discrimination introduced to make a behavioral inference by following the virtual and purchasing habits of consumers (Colombo, 2018).

In a broad sense, to define price discrimination based on all definitions, price discrimination is to offer the same value to the individual and consumer groups through online and offline channels at different prices based on the consumers` purchase history willingness to pay and distinctive evident features in order to increase the company's revenue.

Table 3 shows the progression of price discrimination from 1920 to 2017, the year of the most recent contribution to the definition. This table is based on the researcher's own initiative.

Author	Definition	Contribution
Pigou, 1920	The monopolist charges different prices for the same product.	**3 Degrees of PD**
Machlup, 1955	Selling homogeneous commercial goods to different customers at different prices	Economic Definition
Stigler,1966	Selling two or more similar goods with different marginal costs at different prices.	Marginal cost
MacKie-Mason, 1988	Discrimination will be inevitable as the marginal assessment of customers exposed to different prices will be different.	Difference due to Marginal Evaluation
Varian,1989	It is the sale of the same commodity to different customers at different prices.	Transport and similar costs
Bishop & Colwell (1991)	Price discrimination is to set different prices for different buyers, taking into account how sensitive consumers of a particular good or service are to changes in prices.	Taking feelings into account
Stavins, 1996	Application in cases where the difference cannot be explained by marginal cost.	Market Power emphasis
Clerides, 2003	The dividend approach where the price and cost margins of the two types of the same good are not the same, as well as the mark up approach that occurs when the price-cost ratios of two types of the same good are not the same	Margin and Market Power
Dibb & Simkin, 2004	Different prices are applied to provide a competitive advantage to a group of buyers.	Grouping of customers
Stole, 2007	Different pricing for different segments.	Segmentation
Mikians, 2013	Considering the willingness of the individual to pay, the same product is offered to different consumers at different prices.	Willingness to pay
Carroni, 2017	Price discrimination based on the past buying behavior	Behavioral-based
Borgesius & Poort, 2017	It is the differentiation of price in online channels based on the information the firm has about consumers.	Online price discrimination

Table 3 Price Discrimination Literature

Note: The table has been created by the author

2.1.1. Price Discrimination Assumptions

While price discrimination holds potential benefits across diverse sectors, high fixed and common costs in specific industries create substantial barriers to effective price discrimination strategies. (Ekelund, 1970).

In addition to these, some assumptions need to be realized in order for price separation to occur. (McAfee, 2008).

1. Distance between markets: According to this assumption, the same product is sold in local and remote markets, and due to discrimination occurring, price elasticity in the remote market must be higher than in the local market. The pressure on sellers to impose discrimination will be higher during periods of reduced aggregate demand and lower during periods of higher demand. As the local market is large enough and its income is significant, the seller may abandon price discrimination and apply a uniform price based on the local price. On the other hand, due to the large distance between domestic and distant markets, the emergence of transportation costs means lower average price discrimination for the consumer (Guthrie, 1950).

2. The company must prevent the resale of the products sold as a result of the price discrimination (Gerstner et al., 1994; Perry, 1978; Shepard, 1991; Stavins, 1996; Varian, 1987).There are several methods to achieve this notion (Varian, 1987):

- Services, electric power etc. Some goods are difficult to resell due to the nature of the merchandise.
- Tariffs, taxes, and shipping costs can prevent resale. For example, it is common for publishers to sell books at different prices in different countries and rely on shipping costs or tariffs to restrict resale.
- A firm can legally restrict sales. For example, computer manufacturers often offer training discounts with a contractual provision restricting resale.
- A company can change its product. For example, some companies sell student versions of software that have more limited capabilities than standard versions.

3. Market Power - the company must have a certain extent of market power (Katz, 1987; Shepard, 1991; Varian, 1987). Market power is also needed to set prices above marginal cost (Fumasi, 2013; Stavins, 1996).

4. The company must have skills in grouping consumers: To reduce prices for a certain group of consumers, the company needs to separate consumers into certain groups (Bester, H.; Petrakis, 1994; Liu & Serfes, 2002). The easiest way of classification is classified in terms of demographics, which is exogenous. The

more complex classification method is the classification based on time of purchase (Varian, 1987).

2.1.2. Price Discrimination Techniques

There are different techniques for the implication of price discrimination. These techniques are quantity discounts, two-part tariffs, bundling, couponing, name your own price, and pay what you want.

2.1.2.1. Quantity Discounts

Quantity discount refers to offering reduced price to the larger quantity buying companies (Khan & Jain, 2005; Kotler & Keller, 2016; Petrovic & Petrovic, 2015). This technique is a very successful price discrimination method because of decrease in customers` willingness to pay (WTP) for each extra unit good, while she buys more. In this tool, customer pays more in the first unit in comparing with next ones (Gans, King, Mankiw, et al., 2018; Sudhir & Datta, 2009). All customers must encounter discounts equally and it cannot exceed cost savings to the firm (Kotler & Keller, 2016). The company should have information about customers` willingness to pay levels, if it wants to apply the mechanism successfully (Khan & Jain, 2005). Furthermore, compared to nuclear families or individuals, extended families often exhibit greater price sensitivity, making quantity discounts particularly advantageous for them. However, the effectiveness of such discounts can be undermined by arbitrage practices, where individuals purchase products in bulk at discounted rates and subsequently resell them individually at higher prices (Khan & Jain, 2005). For instance, if a unit of good sold at $10 and 2 units of good sold at $15, it can be defeated arbitrage can occur. Someone can buy it and split the package and resell units separately more expensively (Clerides, 2003).

There is interesting research and findings on the impact of price flexibility to the company profits. If the company is able to offer quantity discounts, this strategy can affect its profitability more in comparing with price variations according to stores (Khan & Jain, 2005). In monopoly markets, firms charge different prices to the same customers according to the number of quantities. For instance, however, the bakery charges its customers $ 0.5 for per unit breads, it charges $5 for a dozen (Gans J. , King, Byford, & Mankiw, 2018). Nevertheless, these price models are the best application if there are consumers who make repeat purchases and there are substitutions available (Carroll & Coates, 1999).The most prevalent example is that offering price $10 per unit until 100

units, if the quantity is more than 100 units the price will be $9 (Kotler & Keller, 2016). Another strategy for retailers is to differentiate prices in accordance with package size. For example, products such as detergents, paper products and so on. which are packaged goods, might be offered in categories based on their sizes. The larger package size, the lower sales prices (Khan & Jain, 2005).

2.1.2.2. Two-part tariffs

Two-part tariffs are pricing models that consist of a fixed and variable fee (Poort & Borgesius, 2019; Armstrong, Price Discrimination, 2006). Fixed fee is generally related with amount of the goods, however, variable fee interested in usage (Varian, 1989). The motives of using two-part tariffs are about firstly efficiency in creating consumer surplus, and secondly consumers` heterogeneous characteristics. Thus, two-part tariffs can be used to differentiate consumers according to their tastes (Armstrong, Price Discrimination, 2006; Carroll & Coates, 1999; Borgesius & Poort, 2017). In this model, the firm persuade consumers self-select into the product for satisfying them. (Lambrecht, Seim, Vilcassim, Cheema, & Chen, 2012). Two-part tariffs are arranged for the purpose of maximizing profit in the channel (Sudhir & Datta, 2009). It is assumed that most consumers` preference will be a single firm in order to get products (Armstrong & Vickers, 2001). Above all, in these cases consumers have few chances for decision making. Now, companies compete with their rivals in terms of variable fees (Carroll & Coates, 1999). Optimum two-part tariff covers arranging prices equal to marginal cost, because all consumers are the same and marginal consumers have similar demand as average ones. The most prevalent example is for entertainment parks, fixed price is about payment entering the center and variable is about using vehicles. There are also another examples like camera with films, as well as telephone and its usage fees (Varian, 1989). The telecommunication sector are also the most used examples for two-part tariffs.

2.1.2.3. Bundling

Bundling is a price discrimination tool that offers consumers some discounts if they buy other products as well (Varian, 1989; Armstrong, 2006). There is a similar logic with quantity discounts. In this situation, bundling is also related with price elasticity of consumers (McAfee, 2008). There are two bundling methods (Kotler & Keller, 2016; Armstrong, Price Discrimination, 2006; Varian, 1989):

1) Pure Bundling -consumer may buy the products only as a bundle. This is not efficient business practice, if the products do not have perfect complement or marginal cost. For example, season tickets, all-inclusive holidays and so on. There are special menus for both in Turkey and in Azerbaijan for breakfast which is called “Serpme Kahvaltı” (“Spreading Breakfast”) in restaurants. Additionally, pure bundling constraints single-product companies to enter the market (Armstrong, 2006; DAF, 2016).

2) Mixed Bundling -company offers products both bundled and separately. But buying products separately costs more than bundle. In Mixed Bundles consumers are segmented into 3 groups (Armstrong, 2006): a) some of them loves both products who are buyers of bundles; b) someone who prefers first one of the bundled products weakly, but the second one strongly; c) some of them have reverse tastes (prefer the first one).

While bundling can offer cost savings and convenience, some customers may not require all the elements included. In such cases, prioritizing individual item efficiency rather than a bundled discount might be more appealing (Armstrong, 2006). Hence, the cost savings derived from the bundled offering should be substantial enough to facilitate a seamless persuasion of customers into making the purchase (Kotler & Keller, 2016). However, bundling can potentially raise anti-competitive concerns if the discounted bundle price falls below certain cost thresholds (DAF, 2016). Firms with a monopoly on one product and a duopoly on another may strategically employ bundling to extend their market power into the duopolistic market and potentially establish a monopoly within it (Nalebuff, 1999).

Consider a firm that produces two products, one in a monopoly market and the other in a competitive market. In the competitive market, price typically aligns with marginal cost. Therefore, the crucial factor becomes the pricing of the product in the monopoly market. If the standalone price of this product significantly exceeds the bundled price, it can be detrimental to consumers. Such a pricing scheme might be perceived as a penalty for those who prefer not to purchase the bundle. Consequently, the primary motivation for bundling in such cases may not be genuine price competition, but rather the coercion of customers into purchasing the bundle (DAF, 2016).

2.1.2.4 Couponing

Coupons are printed papers that creates favor for purchase when they buy some products. Coupons are also used as a tool of stimulation for new and mature brands(Kotler & Armstrong, 2012). The answer to the question "why companies use coupons?" is that couponing helps companies to price discriminate (Gans, King, Bayford, et al., 2018; Mankiw, 2012) The debate about whether coupons are examples of price discrimination or promotion began with an Levedahl (1986) `s article. According to this study, as a marketing tool coupon have 3 functions: 1) coupons bring new customers; 2) new brand switching attributes for increasing future sales; 3) intensify brand loyalty among existing customers (Levedahl, 1986). With the help of coupons, customers get a price reduction (sometimes a percentage of the price, or absolute amount). Approximately $500 billion coupons have been offered by companies every year. Each consumer saves 1.94 dollars per coupon (Clow & Baack, 2018). Coupons are implemented for consumers whose price sensitivity is high (Weisstein & Monroe, 2009). Coupon usage decision is related to the comparison of trade-offs between costs and savings of using a coupon. In comparison with the customers who never used coupons, coupon users are more price elastic. This idea comes from price theoretic model (Ben-Zion et al., 2000; Narasimhan, 1984). Increasing competition and reducing profits coupons make easy market segmentation for companies by consumers` brand loyalty degrees. Sometimes companies use some couponing methods and price discrimination tactics between competitors` and their own customers due to growing market shares (Bester & Petrakis, 1994). There are different prevalent coupon types (Clow & Baack, 2018):

- instant redemption coupon –trial purchase, additional packages, free samples of giveaways.
- bounce- back coupons –these coupons are inside packages and used for triggering repurchase.
- scanner-delivered coupon- companies give these coupons at cash register and sometimes these coupons might encourage brand switching.
- cross-ruffing coupons- companies provide these coupons placing on one product for increasing sales of another product. These coupons should be used with products that logically fit together and are frequently purchased by consumers simultaneously.

As a price discrimination tool, coupons enable companies to divide markets into segments, and reduce consumers` switching cost. Thus, according to price discrimination model couponing rises competition, that results in low profits (Bester & Petrakis, 1994). If the coupons increase the sale, the company undergoes the promotional cost (Y. Chen et al., 2005). These costs are organizer cost, time cost which means the duration of retrieving and storing coupons, magazine browsing costs (Narasimhan, 1984). Additionally, at retailers' price discrimination between coupon users and non-users is higher than brand manufacturers. Because some retailers could not take favor of such kind of price decreases due to coupons. Thus, retailers increase full price of products before utilizing coupons (Levedahl, 1986).

The development of technology and digital media has also resulted in the creation of digital versions of coupons like "promo code" or "promotion code" (Clow & Baack, 2018). According to Zhang (2015), there is a positive relationship between online couponing and prices (Zhang et al., 2015). These coupons effects company profits negatively, because consumers think about the existence of such kind of coupons points out that there are price promotion which is not available to current customer. This situation affects profitability adversely, because it is also related with delivering coupon to targeted markets successfully (Englmaiera et al., 2012; Shor & Oliver, 2006). The availability of coupons on different sites erodes price discrimination and adds technical competence to the market segmentation criteria in addition to price sensitivity (Shor & Oliver, 2006). One of the new forms of coupons after technological advancement is mobile couponing. Mobile coupons are kind of digital coupons sent to consumers` mobile device. Consumers keep them until deciding to use in supermarkets or shopping centers (Chung; et al., 2012). Consumers need not searching for coupons, clipping and storing them, as well as they get coupons related to their locations (Chung; et al., 2012). Usage of mobile coupons is 10 times more than traditional one (Kotler & Keller, 2016). With the help of mobile coupons, personalized pricing is also feasible, because it is hard to compare prices (Choe et al., 2018). Integrating with bundling, online coupons are the best opportunity for e-tailers to persuade customers to purchase more (Jiang et al., 2018).

2.1.2.5. Other Price Discrimination Tools

Apart from the tools, there are other widely used price discrimination tools. Using the tools companies can discriminate their customers in accordance with their willingness

to pay. These tools are name your own prices, pay what you want, everyday low pricing, Bonus, in-store discounts.

Name your own prices (NYOP) is the prevalent price mechanism, that customers arrange the price instead of companies according to threshold. The companies are able to accept or reject these deals (Fay, 2004; Huang et al., 2017; Krämer et al., 2017; Park & Wang, 2009; Spann & Tellis, 2006). This pricing mechanism is active from 1998 and has been motivated by Priceline (Wilson & Zhang, 2008). Priceline (priceline.com) is a website that gives travelers' opportunity to get tourism-related items like tickets, hotels and so on (Chen, 2012)**.** While auctions represent the foundational concept of NYOP (Name Your Own Price), several crucial distinctions exist between them. Notably, the NYOP seller must reach a decision before reviewing all offers. This requirement stems from the fact that consumer arrivals in NYOP are asynchronous, unlike the synchronized nature of auctions (Fay, 2004). Another key distinction between NYOP and auctions lies in service delivery. In NYOP, the first consumer whose offer exceeds the seller's threshold secures the service. Conversely, in auctions, the highest bidder, regardless of their arrival time, wins the good or service (Spann & Tellis, 2006). This mechanism is also a tool for price discrimination in accordance with customers` willingness to pay (Terwiesch et al., 2005). There are 2 methods of NYOP: a) One-bid NYOP: This method, exemplified by Priceline, restricts consumers to submitting a single offer. Companies employing this approach, such as Priceline, allow consumers to submit only one bid for the desired good or service.; b) in this method companies allow consumers make bids more than one if their bids are rejected (Spann & Tellis, 2006). Priceline's price discrimination utilizes two key methods: i) Bidding under feature uncertainty: Consumers make offers for products with unknown specifics (e.g., hotel rooms). ii) Haggling effort for undifferentiated goods: Consumers submit multiple bids within a limited time frame, with greater effort rewarded by lower prices for identical products (e.g., phone numbers). (Terwiesch et al., 2005).

Pay What You Want is a price discrimination tool that customers` control over the arrangement of pricing levels are ultimate. It means customers can set prices, but the sellers or companies could not refuse it even it would be equal to zero (Kim et al., 2009, 2014)**.** This tool is also appealing for marketing strategy because of price discrimination between fair-minded and selfish buyers, market penetration opportunities and getting

competitive advantages because of lowering the prices (Schmidt et al., 2014). The rock band Radiohead is the most popular and widespread case of PWYW. They created opportunities for fans to download new albums from their own website. There was only one condition regarding payment: Fans could pay as much as they wanted. The statistics of downloads were about 2 million times, and the profits were very high (Kim et al., 2009).

After 3 field experiments Gneezy et al. (2012) found that individual`s identity, and self-image affect determination of prices by customers. Because they feel bad if customers offer the amount below real price (Gneezy et al., 2012). Even the customers were presented with 2 situations: 1) Standard price with charity 2) PWYW with charity. The second option was more profitable in comparing with first one (Gneezy et al., 2010). Although it is possible to misuse this opportunity, but majority of consumers in both online and offline applications pay some money. Customers` behavioral factors like fairness, satisfaction, price consciousness impacts the amount of money paid (Kim et al., 2009). Additionally, self-sealing, social-welfare, reciprocity are also the factors that affects customers` decision about the amount of money (Chao et al., 2015; Mak et al., 2015).

2.1.3. Price Discrimination Classifications

There are different price discrimination taxonomy methods in the literature. Most academicians classified price discrimination from various perspectives and Table 4 represents them. The most prevalent classifications of price discrimination are economic and marketing ones. Besides that, there is also another form of taxonomy like direct versus indirect or complete price discrimination under decreasing profitability. Direct price discrimination means - like third degree price discrimination in Pigou`s classification- grouping consumers according to their concrete specifications like age, gender, and location.

Direct price discrimination (third degree price discrimination in Pigou's classification) is exercised on the basis of observable characteristics such as age, gender, and location. Indirect price discriminations groups buyers offering them products menu in different quality and quantity. Interestingly, the companies applying indirect price discriminations allow consumers to make a choice among the existed products. Beyond that, direct price discrimination offers only one product. Indirect price discrimination was not emphasized

by Pigou (Clerides, 2003; McAfee, 2008). Complete price discrimination is also added to this classification by Png (2002), which is equivalent for first-degree price discrimination (Png, 2002). The other taxonomy is classification in terms of purposes: Personal discrimination, group discrimination, and product discrimination (Machlup, 1955).

Price Discrimination Taxonomy			
Decreasing Profitability	**Economy**	**Purposes**	**Marketing**
Complete Discrimination	First Degree Discrimination	Personal	Customer Characteristics
Indirect Discrimination	Second Degree Discrimination	Group	Time-based price discrimination
Direct Discrimination	Third Degree Discrimination	Product	Channel-based price discrimination
			Location-based price discrimination
			Performance-Based Price discrimination
			Volume-based price discrimination

Table 4. Price Discrimination Taxonomy

Note: The table has been created by the author

2.1.3.1. Economic Classification

Price discrimination has been studied since 1920, when Pigou categorized it into three degrees: first-degree price discrimination, second-degree price discrimination, and third-degree price discrimination. The categories were classified based on economic approaches (Machlup, 1955; Pigou, 1920; Varian, 1987)

According to the prevailed view, the aim of all price discrimination methods is to get maximum consumer balance. This is possible only with different price discrimination degrees (Geradin & Petit, 2006). Considering income and utility functions like demand elasticity, cross elasticity of demand etc., price discrimination emerges like increases in prices due to less elastic consumers and in the airlines case, discounts in ticker prices (Stavins, 1996). When it is permitted to companies applying price discrimination monopolists get higher profit and buyers lose or get depending on the situation if the

discriminatory price is over or under the uniform one (Cowan, 2007). But it tells little about the effects of price discrimination on competition. Therefore, first, second and third-degree price discrimination has limited importance on competition law (Geradin & Petit, 2006). First degree price discrimination is perfect, and its imperfect form is third degree price discrimination. But second-degree price discrimination offers menu options.

Pigou (1920) meant that second-degree price discrimination is an intermediate case between first and third degrees. But this terminology is flawed because this allegation was nonsense. First and third-degree price discriminations are about charging different consumers or segments, however, second-degree is about offering menu, quantity options and self-select (McAfee, 2008).

2.1.3.1.1. First Degree Price Discrimination

First degree price discrimination is about charging different consumers according to their willingness to pay in such a clever way that there would not remain any consumer surplus to the buyer (Pigou, 1920; Varian, 1989). First degree price discrimination is also called as perfect price discrimination (Anderson & Renault, 2008; McAfee, 2008).

Majority of economists believe in that, it is hard to get first degree price discrimination, because of unforeseen characteristics of the information about all consumers` willingness to pay (Geradin & Petit, 2006). Due to the inaccessibility of the information needed, first degree price discrimination is considered as a theoretical comparison criterion rather than a real business strategy. However, it provides a transparent limit framework in which to discuss the possible efficiency gains from price discrimination, as well as its distributional impact on consumers (Anderson & Renault, 2008). It was anticipated that each of the consumers pay 100 percent of his or her intended money to the goods they purchased (McAfee, 2008). In practice, an example is shown for the first-degree price discrimination of health services provided by doctors by applying different fees in different regions according to different payment power (Petrovic & Petrovic, 2015).

If it is possible to apply first degree price discrimination in the market, companies will compete for each consumer. It is believed that application of first-degree price discrimination always increases firm profit because of surplus from consumers that is called enhanced surplus extraction effect. Beyond that companies will compete consumer by consumer called intensified competition effect, which will decrease company profit

typically. Companies should choose using such new technology that enhanced extraction effect is above intensified competition effect (Ulph & Vulkan, 2020).

2.1.3.1.2. Second-degree Price Discrimination

Second degree price discrimination is about arranging pricing strategy in accordance with the number of units that have been bought by consumers (Geradin & Petit, 2006). In second degree price discrimination the number of consumers is not so important. Because engaging to this strategy is related with variations in consumers` quality and quantity evaluations. Beyond that, consumer preferences one by one are unpredictable (Khan R. , 2003). In the second-degree price discrimination, the features of the consumers are ignored and not taken into consideration by the companies. This schedule is also named "non-linear pricing" (Borgesius & Poort, 2017). Thus, each of the consumers faces the same prices, however purchasing different volumes means paying different amount of money (Varian, 1989).

The adoption of two-part tariffs is also an application of second-degree price discrimination. Thus, the buyer faces a tariff that consists of two parts first one is fixed fee and the other one is variable fee (Geradin & Petit, 2006). For example, there are websites which earn money from subscription, and as subscription period increases, the fees go down. Along these lines, the company offers product menu and pricelist, consumers self-select niche market which is the best convenient for them (Esteves, 2009; Stole, 2007).

The best examples for second degree price discrimination are quantity discounts or premia (Varian, 1989)**.** Especially in retail companies, while second-degree price discrimination is applied, consumers without brand loyalty can make switch between brands easier to save money (Chevalier & Kashyap, 2019). Some loyalty programs are also subheadings of the second-degree price discrimination. If customers gain advantages like discounts because of past purchases, and if only it is possible to count these favors as quantity discounts, it can be recognized as second degree price discrimination (Borgesius & Poort, 2017)**.** Besides, there are second-degree price discrimination forms which are drawn from literature over the years (Armstrong, Price Discrimination, 2006):

- Quantity discounts -Prices decrease when quantity increases.
- Bundling discounts – Price decrease in one product when customer buys another product. There are two versions of bundling:

- *1. Pure bundling* – buying some products is possible only with bundling and buying individual items is impossible.
- *2. Mixed Bundling* -companies arrange prices for both individual and bundle items

- Intertemporal discrimination- consumers` willingness to pay for decreasing product during certain time period, e.g.: reservations.
- Behavior-based discrimination- offering discounts according to purchase history of buyers (Acquisti & Varian, 2005).

2.1.3.1.3. Third Degree Price Discrimination

The definition of third-degree price discrimination is charging different customers different prices, but each of the buyers pays the same amount of money for each unit of goods that they purchased (Varian, 1989; Petrovic & Petrovic, 2015). For third-degree price discrimination, the company need not recognize whole buyers one by one, but the characteristics of the buyers are important (Borgesius & Poort, 2017). The most popular examples for third degree price discrimination are student, children, elderly discounts (Varian, 1989; Borgesius & Poort, 2017). Targeting some consumers who shows lower willingness to pay and sending them mail coupons is also another example for third degree price discrimination (Leslie, 2004).

Third degree price discrimination occurs when firms apply different prices to different consumer groups. This price discrimination degree depends on customers` demand elasticity. Thus, the higher demand elasticity, the more charge for customers (Geradin & Petit, 2006). According to conventional theory, third degree price discrimination which is applied by a monopolist directly shows optimal price discrimination that is found with the application of inverse-elasticity rule to every separate part of the market (Stole, 2007). Because varied price elasticities are the main cause for the third-degree price discrimination (Fumasi, 2013). Inverse-elasticity rule refers to the relation between optimum tax rates and price elasticity should be inverse (Yang & Stitt, 1995).

Due to the application of third-degree price discrimination affects marginal valuations and produces. The amount of increase over the single-price monopoly level might balance distributional inefficiency (Schmalensee, 1981). Here, demand cross-price elasticities have critical importance for determination of equilibrium and final products.

They depend on consumer heterogeneity and consumer preferences (Stole, 2007). Third degree PD only exists in a competitive environment with consumer surplus, where demand curve slopes downward. Without surplus, monopolist would not gain anything (Fumasi, 2013).

Most economists believe in that third-degree price discrimination improve profitability (Khan R. , 2003; Englaimer, Gratz, & Reisinger, 2012; Cowan, 2007). However, there is a well-known case, that price discrimination damages profit. If there is a uniform pricing application in all markets, it means constant marginal cost and linear demand functions. Thus, total welfare is comparatively higher than price discrimination (Cowan, 2007).

Loyalty programs are the most popular forms of third-degree price discrimination, because they encourage existing customers to purchase additional products. These programs are the best tools for profiling customers. The company could easily charge customers in terms of their geographical areas (Borgesius & Poort, 2017). Practically, companies try to arrange prices between the stores taking advantage of demand variations. Thus, the fewer alternatives consumers have, the higher prices they will face (Khan & Jain, 2005). Because of preventing customers from arbitrage and distinguishing them by some characteristics, companies use some unique identifiers like student cards or loyalty cards with photo or even ID. Price discrimination in online platforms is also similar. Tools for distinguishing between customer groups, such as low spenders and high spenders, include cookies, login information, and IP addresses. Theoretically, online price discrimination pushes customers towards first-degree price discrimination in favor of seller in which all consumer surplus is extracted (Borgesius & Poort, 2017). But standard theory does not consider consumers` fairness concerns. The profitability of companies might be affected adversely (Englaimer, Gratz, & Reisinger, 2012). Amazon.com charged different prices to different customers for the same DVD products. Afterwards, customers showed anger to the company, subsequently, Bezos explained that it was done by mistake. The company refunded money to 6896 customers (BizJournals, 2020).

2.1.3.2. Price Discrimination Classification in Marketing

In the field of economics, Price Discrimination is also used as a marketing tool to optimize profit by offering different prices to consumers by considering the differences in the amount of money they are willing to pay (Esteves, 2009; Khan & Jain, 2005; Mehra

et al., 2012; Pancras et al., 2016; Vogel & Paul, 2015; Wolk & Ebling, 2010). Companies should determine their own pricing strategies and price finding mechanisms that focus on PR effects, research insights of market, and customers` optimal matching (Klein & Loebbecke, 2000). It is possible to increase profits with the help of segmentation according to tastes, product valuations (Wolk & Ebling, 2010). Impressive price discrimination should cover both technical competence for targeting customers and analytical customization tools for heterogeneous choices (Pancras et al., 2016). In price discrimination applications, consumers choose the best choice among multiple price version offers those best suits them (Wolk & Ebling, 2010). With the help of technological development segmentation is very easy and price discrimination has changed gradually towards quality and correctly processing of data (Esteves, 2009). There are some kind of price discrimination methods used in marketing (Corrocher & Zirulia, 2010; Klein & Loebbecke, 2000; Reinartz et al., 2017):

- Customer characteristics-based price discrimination
- Channel-based price discrimination
- Time-based price discrimination
- Performance-based price discrimination
- Volume-based price discrimination
- Location-based price discrimination

2.1.3.2.1. Customer Characteristics

The application of price discrimination in marketing according to customer characteristics is related with third-degree price discrimination (Ferrell et al., 2018; Langer, 2012). The most prevalent form of price discrimination due to customers characteristics are gender, religious and racial forms (Salman & Ayoubi, 2019). As well as willingness to pay that is related with behavioral constraints (Khan & Jain, 2005; Leibbrandt, 2020). However, gender-based price discrimination has been discussed broadly during these years. Thus, there is a consensus among academicians': women are likely to pay more for clothing and personal care products (Salman & Ayoubi, 2019). This situation is called "pink tax" which means an additional amount of money that added on the price of the product and has been paid by women because of its specific characteristics like "pink color" or similar symbols which implies the product is targeted for women (Jacobsen, 2018; Salman & Ayoubi, 2019). According to Ferrel et.al (2018)

in some situations, women show more reactions (shock, anger, outrage) than men, as well as they characterize this situation unfair unambiguously (Ferrell et al., 2018). Third degree and second-degree price discrimination methods are used together to make greater profits (Khan & Jain, 2005). If there are differences among market accesses, different search costs, bargaining abilities, as well as information levels of members of some segments, there will be inequality even companies behave equally each member (Langer, 2012). Customers will not buy the products unless they pay more money than other customers, but they will buy if vice versa. Whether there is a price discrimination against their own, likelihood of purchasing from that seller will decrease because offered price is lower than willingness to pay (Leibbrandt, 2020). The impact of price discrimination based on demographic preferences has been decreased by customers, sending other family member who fits the conditions to purchase items (Langer, 2012).

2.1.3.2.2. Channel-based price discrimination

Channel-based price discrimination is one of the second-degree price discrimination implication methods and refers to the same product are priced different in multi-channel which covers online and offline shopping (Fassnacht & Unterhuber, 2016; Unterhuber, 2015)**.** Multi-channel price discrimination is also self-selecting strategy, means that consumers can choose the best channel-price combination that suits their situation well (Vogel & Paul, 2015; Wolk & Ebling, 2010)**.** All in all, in order to implement price discrimination, the company must fulfill these conditions: lower operating costs and customers` self-selection (Vogel & Paul, 2015).

This strategy is used by companies to increase profits and factors like online competition, company size, brand power, online reach, number of distribution channels, product type has impact on it (Eckert, 2014; Raza, 2015)**.** There are different tools like coupons, sales promotions, and personalized offers to vary prices (Reinartz & Wiegand, 2019). According to Haucap & Heimeshoof (2011), consumers who are aware of price discrimination, collect detailed information about tariffs or has lower loyalty levels prefer paying less money (Haucap & Heimeshoff, 2011a). It is believed that price sensitivity levels will go down and loyalty levels will increase if there is quality information on a site (Kung et al., 2002).

It has been discussed if multi-channel price discrimination has any impact on customer behavior (customer perception and retention outcomes) or not. There are some

situations which influence the size of price difference like product category, touching, channel costs, industry, willingness to pay, risk (Fassnacht & Unterhuber, 2016; Homburg et al., 2019; Raza, 2015; Vogel & Paul, 2015). There is a positive relationship between channel-based price discrimination and customer behavior (Fassnacht & Unterhuber, 2016; Paul & Beckmann, 2012; Vogel & Paul, 2015).

Price sensitive consumers should prefer internet, beyond that service dominant customers should choose stores (Vogel & Paul, 2015).

2.1.3.2.3. Time-Based Price discrimination

Time-based price discrimination refers to differentiation of prices during a various time in order to increase revenue (Besbes & Lobel, 2015; Jang et al., 2019; Simon et al., 2019). Time-based price discrimination is also called as "intertemporal price discrimination" (Besbes & Lobel, 2015; Simon, 2015). The main goals of price discrimination are to use opportunities for increasing market profit as well as targeting specific customer segments. Beyond that, customers` demand elasticity and purchasing power have impacts on prices (Fluch et al., 2010; Garrett, 2016). But the application of time-based price discrimination is not about converting stocks to cash, because they are cautious about demand fluctuations. Thus, companies try to capture customer surplus from heterogenous base (Besbes & Lobel, 2015). The most impressive factor that influences success of time-based price discrimination is willingness to pay levels of customers at different time periods (Simon, 2015). Additional reason why firms arrange their prices over period is related with buyers` uncertainty about own future values (Garrett, 2016b). There are also sectoral implications of time-based price discrimination such as hotel industry, transport, restaurant, garage, theater, telephony, telecommunication. Because it is impossible to take advantage of arbitrage over time period (Simon et al., 2019).

Time-based price discrimination at the same time stands for temporal construal theory. Temporal construal theory refers to the period between near and distant future. According to the theory, events in near future have been perceived lower level than the events which happens distant future (Liberman & Trope, 1998). For example, advanced hotel booking is an example for distant-future events, booking last-minute is near-future event. Thus, if customers book in advance it means the desirability of the brand is high, and customers who book last-minute have discount expectations (Jang et al., 2019). There

are different time-based price discrimination examples like time of a day, weekdays or seasons, advance booking discounts, last-minute offers, Black Friday and “happy hour” in restaurants (Fluch et al., 2010; Simon, 2015; Simon et al., 2019).

2.1.3.2.4. Performance-Based Price discrimination

Performance-based price discrimination refers to selling product different versions of product according to performance and price while other variables like location, time and volume are identical (Simon et al., 2019). Performance in this context means a basis for price arrangement, as well as investment effectiveness. There are 3 major variables which prices are based on them, and they reflect performance: input-based pricing, output-based pricing, output-based pricing about customer`s economical outcomes (Hünerberg & Hüttmann, 2003). It would be better to assist price discrimination in accordance with performance (Simon et al., 2019). There are different practical implications of performance-based price discriminations: credit cards, train tickets, Netflix subscriptions etc. (Simon et al., 2019). One form of performance-based price discrimination is usage-based price discrimination that refers to setting the price accordingly customers` usage period the product (Thiesse & Kohler, 2008). Additionally, the implication of such a price discrimination method requires detailed information about each of the customers. Company needs to know utility function of each customer to maximize its revenue (Li & Huang, 2014a, 2014b). Product features such as labelling, packaging, brand name, purpose of use, bundling are also a kind of performance-based price discrimination and preferences are strongly influenced by them. According to some studies in the literature, these specifications are also example for hedonic price models and affected by design type, color and information (Fluch et al., 2010; Loose & Szolnoki, 2012). There are some payment models in the virtual world like pay-per-view, pay-as-you-go and online advertising “pay-per-click” (Thiesse & Kohler, 2008). Due to successful implication of performance-based price discrimination variations between two level must be perceived large enough by customers (Simon et al., 2019). For example, ticket prices in opera and theater are related with location and distance (Simon et al., 2019). The differences do not mean to hurt people who belong to low-income segments, but to frighten rich ones (Simon et al., 2019).

2.1.3.2.5. Quantity-based (Volume-based) Price discrimination

Quantity -based (volume-based) price discrimination is a form of second-degree price discrimination that companies offer quantity discounts to segment high and low volume users to increase profit (Klein & Loebbecke, 2000; Lu et al., 2014). Volume discount refers to purchase large numbers of single product (Klein & Loebbecke, 2000). It is easier to implement volume-based price discrimination to services than goods because a service transfer from one person to another is impossible, at the same time, it is easy to control service usage (Simon et al., 2019). The more volume increases, the more marginal utility of a product decreases. The amount of utility user gets from first unit is greater than second or third. That is why sellers do not implement any discrimination due to volume-based price discrimination, and everybody chooses their own volume levels. This pricing method is non-linear, due to the amount of money paid decrease, as volume of purchased product increase (Simon et al., 2019).

Loyalty programs are one of the main triggers for quantity-based price discrimination. Additionally, uncertainty about future demands also affects volume-based price discrimination positively (Hartmann & Viard, 2005). Moreover, bonus programs and frequent flyer programs are also quantity discount examples. There are some sectoral applications which covered by quantity-based price discrimination: multi-part fees at banks, taxi fares: fix part plus a fare for a distance (Simon et al., 2019). These tools and loyalty programs create switching costs (Hartmann & Viard, 2005). There are some volume-based price discrimination forms that applied in academy and practice: volume sold, two-part tariffs, special flat rate (Fluch et al., 2010).

2.1.3.2.6. Location-Based Price discrimination

Within marketing strategies, spatial price discrimination manifests as location-based price discrimination. Here, companies strategically modify prices exceeding marginal cost to capitalize on varying regional demand levels (Pennerstorfer & Sinabell, 2013). Location-based price discrimination, a practice employed by sellers, involves setting different prices for the same good or service based on the geographic location of customers or their point of purchase (Simon et al., 2019). The logic of price discrimination covers purchasing power, competition, costs, and buying behavior. This approach is about arranging best price offer based on costs and price elasticity (Simon et al., 2019). There are some researches also confirm price adjustment depending on location (Hupperich,

2017; Hupperich et al., 2018), as well as, Pennerstorfer & Sinabell (2013), claim that location-based price discrimination used for to gain extra profits.

Spatial price theory assumes all customers have gross homogeneous demand curves, beyond that varying costs create heterogenous demand curves. Thus, price discrimination is applicable, and delivered price schedules according to cost of distance are arranged (Greenhut & Greenhut, 1975; Simon, 2015). Location of purchase and consumption is very important (Fluch et al., 2010). If there is a large location-based discrimination between outlets, switching costs are high for consumers in local markets. Price discrimination according to location results in problems in marketing. It is undeniable fact that, acquiring information about price differences, as well as variations in price elasticities for different products is very costly (Pennerstorfer & Sinabell, 2013). There are 4 assumptions used in formulation of location-based price discrimination (spatial price discrimination) theory (Greenhut & Greenhut, 1975):

1) a simple monopoly markets.
2) constant marginal costs
3) customers are distributed equally over the location
4) equal gross demands.

There are different application sectors of location-based price discrimination like fuel, food, groceries, as well as, some kind of services (Simon et al., 2019a). Except telecommunication sector or internet and similar sectors, it is easy to apply location-based price discrimination. Because of lacking storing or shipping specifications eliminate arbitrage. Overall, it would be better if location-based price differences should be lower than the arbitrage costs. If not, like the health sector, there will be flow from one destination to another. Location-based price discrimination is applied in these service sectors: hotels, airlines, medical services etc. (Simon et al., 2019).

Another recent study on price discrimination is the evaluation of price decomposition from a firm perspective. By checking 824 flight information in 15 stores for 38 days, it is seen that prices are differentiated according to location and geography. In this study, these differences are observed not from the consumer's perspective but from the firm's perspective (Jonker et al., 2023).

In the aftermath of the COVID-19 pandemic and due to the wars around the world, studies on pricing and price decomposition have focused on food, especially after 2020. The main

orientation here is regional differentiation of price arising from transportation costs and other costs, which is called location-based price discrimination (Krzysztof & Stanuch, 2022; Stupnikova, 2020).

2.2. Switching cost

Consumers often encounter switching costs, which raise the financial or logistical barriers to changing providers (Bergel & Brock, 2018). Porter (1980) identified switching costs as a key barrier to entry in competitive markets. These costs present economic and psychological obstacles that customers must overcome, often involving one-time financial compensation, when contemplating a switch to a new provider (Porter, 1980). Switching costs are extra costs organization incurs for altering one company to another (Burnham et al., 2003; Edward & Sahadev, 2011; Prince & Everett, 2012). Customers must bear risk, investment, or loss when they intend to switch service providers (Ting, 2014). Switching costs includes monetary and non-monetary costs (time and effort) for finding a new provider (Dagger & David, 2012). In fact, switching costs are also switching barriers (Baloglu et al., 2017). It is a kind of sacrifice or fine to switch between brands (Jones et al., 2007). Therefore, these costs prevent consumers from shifting company to its competitors (de Matos et al., 2009). The term switching costs covers the concepts below (Porter, 1980):

- Employee training expenses
- new auxiliary apparatus
- necessity for technical assistance because of reliance on seller engineering assistance
- Technical assistance is required.
- product redesign.
- the psychological consequences of ending a relationship.

Consumers mostly take into consideration costs related with searching, transaction, learning, discounts, emotional and habitual inferences, as well as mental efforts with the risks (financial, social, and psychological) from their own side, when they think about barriers (Burnham et al., 2003). Whether switching costs are high, the new entrant company should provide a fundamental improvement or performance for customers to make them switch from an incumbent (Porter, 1980). Switching cost does not occur, if customer remains loyal to current provider (Minarti & Segoro, 2014). Generally, switching cost emerges when customers dissatisfied with the product, and therefore, there

are artificial switching costs like common visitor rewards (e.g.: room upgrade, complimentary chocolates and so on.), as well as it is possible to adapt these costs to telecom industry (Rezaei et al., 2016). Switching costs help companies to cope with customer satisfaction fluctuations (Dagger & David, 2012). Switching costs combines economic and psychological costs which are barriers and keep customers from changing the providers they are buying services for currently. Economic costs are those which are related to economic risk and monetarily measured. Even sunk costs might be taken into consideration as economic costs. But psychological costs are social bonds based on feelings of one switching partner to other (de Matos et al., 2009; Edward & Sahadev, 2011; Jones et al., 2007; Kaur & Soch, 2018; Ting, 2014). Switching cost is a popular defensive marketing tool also (Matzler et al., 2015). Switching costs usually assessed substantially, however they become obviously, when customers have a reason to change the service provider (Burnham et al., 2003).

2.2.1. Switching Cost Dimensions

According to literature, there are 8 dimensions of switching costs (Burnham et al., 2003):

1. Economic risk costs capture the uncertainties and potential negative consequences that consumers face when switching to a new provider due to a lack of complete information (Shen & Kwak, 2019). Only three dimensions of perceived risk is relevant here: performance, financial and convenience (Burnham et al., 2003).
2. Evaluation costs includes the effort and time spent on search and analysis studies to decide to switch the product (Burnham et al., 2003; Jones et al., 2002)
3. Learning costs represent a significant barrier to entry in the realm of switching providers, particularly when it involves consulting services. These costs encompass the time, effort, and cognitive resources invested by customers in acquiring the necessary knowledge and skills to effectively navigate new systems or collaborate with unfamiliar consultants. (Burnham et al., 2003; Prince & Everett, 2012).
4. Setup costs that are the measurement for sales process dissatisfaction while changing to a new provider, cover a relationship initiation process with a new company or a new product/system launch (Burnham et al., 2003; Prince & Everett, 2012; Shen & Kwak, 2019).

5. Monetary loss costs are one-time expenses those individuals and organizations must bear when changing service provider. For example, altering service provider incurs expenditures like deposits, initiation fees, as well as penalties or legal fees related to ending relationship.
6. Benefit loss costs emerges while consumers switch existing provider to a new one, they might lose benefits like discounts, advantages that are not presented to new customers.
7. Personal relationship costs are kind of costs that emerges after terminating relationships with the consultants accompanying with customers(Burnham et al., 2003; Prince & Everett, 2012).
8. There are bonds and perceptions formed due to the consumption of the product. This meaning is lost when consumers switch firms. This loss is called the brand relationship loss costs(Burnham et al., 2003).

2.2.2. Switching Cost Types

According to literature reviews, authors grouped switching costs under 3 categories (Burnham et al., 2003; de Matos et al., 2009; Matzler et al., 2015; Rahi & Ghani, 2016; Ting, 2014).

Procedural switching costs	Financial switching costs	Relational switching costs
Economic Risk Costs	Benefit Loss Costs	Personal Relationship Loss Costs
Set Up Costs	Monetary Loss Costs	Brand Relationship Loss Costs
Evaluation Costs		
Learning Costs		

Table 5. Switching cost Taxonomy

Source: Burnham, T. A., Frels, J. K., & Mahajan, V. (2003). Consumer switching costs: A typology, antecedents, and consequences. Journal of the Academy of marketing Science, 31(2), 109-126.

As seen in Table 1, switching cost dimensions are grouped according to switching cost types. There are three kinds of switching costs. These are process switching costs, relational switching costs, and financial switching costs, in that order.

Procedural switching costs are the most common type of switching costs (Jones et al., 2007).. These expenses are related with the time, effort and uncertainty used, as

well as the challenges that customers anticipate during switching period (Blut et al., 2015; Jones et al., 2007; Meng & Elliott, 2006). Procedural costs usually include setup costs, economic risk costs, evaluation costs, as well as learning costs (Blut et al., 2015; Burnham et al., 2003; de Matos et al., 2009).

Financial switching costs compare the outputs that the client receives to his payment (Rahi & Ghani, 2016). Financial switching costs cover financially quantified resources loss like benefit loss and financial-loss costs (Burnham et al., 2003; de Matos et al., 2009; Matzler et al., 2015; Meng & Elliott, 2006). Fees to break a contract, for example, or lost reward points, as well as discounts and special benefits are financial switching or lost benefit costs (Blut et al., 2015; Jones et al., 2007).

Relational switching costs have 2 dimensions: i) brand relationship loss costs and ii) personal relationship loss or social switching costs (Jones et al., 2007). These expenses involve both emotional and psychological distress caused by loss of identity and the breakdown of links with management, a product/brand, an employee or an organizational environment (Blut et al., 2015; Burnham et al., 2003; Matzler et al., 2015; Meng & Elliott, 2006; Rahi & Ghani, 2016; Ting, 2014). Especially, relational switching costs support customers` retention rate growth (de Matos et al., 2009).

2.3. Inferred Motive

There are several types of latent qualitative elements that play a significant influence in determining consumer price fairness perception. One of them is the inferred motives of customers about pricing increases or discrimination (Campbell, 1999). According to Xia et al. (2004), customers seek new information regarding whether the supplier is liable for price unfairness due to the emotional side of price fairness perception (Xia et al., 2004). If there is a price fluctuation, consumers try to determine the exact reason behind it (Campbell, 1999). According to findings, consumers` reactions to unfairness because of company`s arbitrary intentions or actions are negative (Xia et al., 2004). Customers actively evaluate price fluctuations, drawing conclusions about the firm's rationale. These interpretations serve as crucial determinants of fairness perceptions, ultimately influencing consumer behavior and purchase decisions (Campbell, 1999; Crisafulli & Singh, 2016; Kukar-Kinney et al., 2007). This phenomenon is termed consumer-inferred motive, referring to the attributions, or interpretations, that customers make about a company's intentions and actions behind its

pricing practices. These inferences have the potential to influence purchase behavior, including continued patronage of the same retailer (Gasiorek & Giles, 2015; Kukar-Kinney et al., 2007; Nagel & Santos, 2017).

According to literature there are 2 types of inferred motives (Campbell, 1999): i) positive motives and ii) negative motives.

Positive motives: whether a consumer thinks that the main motivation and logic behind the price discrimination is related to scarce resource allocation, or additional benefits for employees, or, customer-focused retailer, this discrimination will be perceived as fairer (Campbell, 1999; Crisafulli & Singh, 2016; Kukar-Kinney et al., 2007). If these activities are accepted as genuine, it will be inferred as positive motive (Singh et al., 2020). When the website apologizes or explains and compensate customers` loss for the initial failure (Joireman et al., 2013; Nagel & Santos, 2017). Positive motives mean company serve to customers` interests rather than their own (Crisafulli & Singh, 2016). Positive motives mean customers infer positively about company`s morality(Reeder et al., 2002). Thus, positive inferred motives resulted in fairness perception about price discrimination on customers` mind (Wang et al., 2018).

Negative motives: a view that businesses are exclusively motivated by their own self-interest (Tran et al., 2021). This type of motives generally called as “bad” motives those also influence price fairness perception because of price discrimination (Campbell, 1999). Whether the company wants to exploit consumer and increase its income, the situation also perceived as unfairer, the customer will infer negative motive (Campbell, 1999; Kukar-Kinney et al., 2007; Kukar-kinney & Monroe, 2011). For example, fine-print disclaimers resulted in uncertainty in consumers` mind and they think the company cheats them (Kukar-Kinney et al., 2007). Moreover, if the company offers a discount as guaranteed payout instead of full refund, it will be viewed as negative motive also, because this case also does not serve customer interests (Crisafulli & Singh, 2016). Furthermore, if the website does not care a customer`s complaints, it will be judged as negatively (Joireman et al., 2013; Nagel & Santos, 2017).

Whether the activities are viewed as manipulative they are also inferred as negative motive (Singh et al., 2020). Especially, if the logic and motive behind the price discrimination was to take a favor or advantage from consumers, the price will be viewed as unfairer (Campbell, 1999). Negative inferred motives mean the firm is not customer

oriented (Kukar-kinney & Monroe, 2011). The buyer also tries to understand if the retailer is responsible for price unfairness. Mostly, unless there is evidence the company does not have control over the situation, the company is perceived responsible for the price unfairness (Xia et al., 2004). Negative motive also influences customer perception and judgement negatively (Wang et al., 2018).

2.4. Repurchase Intention

The term "repurchase" refers to a situation in which a consumer or customer purchases an item or service from the same supplier more than once. Customers prefer to purchase from a single provider rather than from several organizations as a consequence of a series of events rather than a single isolated one (Curtis, 2009).

Repurchase intention refers to consumer`s desire to purchase again from the same provider (Chung & Lee, 2003). Repurchase intention is also defined as one`s decision to purchase a certain service from the same organization in the future, taking into consideration his or her present condition and anticipated circumstances (Hellier et al., 2003).

Repurchase intention is considered as a good outcome of customer satisfaction (Aron, 2006; Chiu & Lin, 2016). Customers who are loyal and consistent have an influence on the firm's performance, which impacts consumers` repurchase intentions (Chiu et al., 2009; Chung & Lee, 2003).

Andreassen & Lervik (1999) examined the effects of perceived relative attractiveness today and expected future relative attractiveness on repeat purchasing. According to the findings, while perceived relative attractiveness today influences repurchase intention in both the consumer and business markets, expected relative attractiveness in the future affects repurchase intention only in the consumer market. Based on the findings, these two variables were evaluated as the main determinants of repurchase intention (Andreassen & Lervik, 1999).

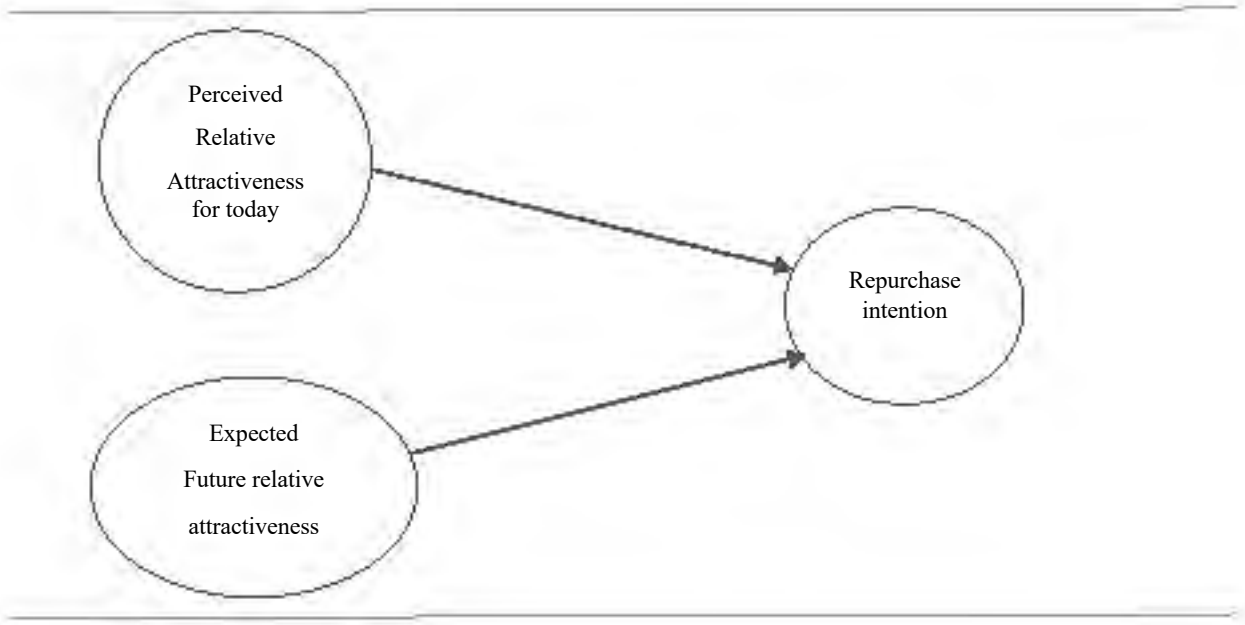

Figure 1. Repurchase intention model

Source: Andreassen, T. W., & Lervik, L. (1999). Perceived relative attractiveness today and tomorrow as predictors of future repurchase intention. *Journal of Service Research*, 2(2), 164-172.

2.5. Price Fairness Perception

In accordance with price fairness theory, price discrimination can be a source of fairness perception problems (Y. Li et al., 2018). Social comparison theory describes the process of comparing outcomes and making fairness judgments. It is relevant because consumers tend to compare outcomes (Dai, 2010). Equity theory (Dai, 2010; Xia et al., 2004) suggests that people evaluate outcomes and compare them with those of others. Perceptions of price fairness can be inferred from price comparisons, according to Xia et al. (2004).

Fairness refers to evaluation of results and processes if to reach them is just, reasonable and acceptable (Bolton et al., 2003; Franciosi et al., 1995; Xia et al., 2004). It is a kind of thought and approach to outcomes or interaction, as well as, generally, some academics use “fairness” and “justice” interchangeably. Fairness perception is important to increase company`s reputation and credibility, that has considerable impact on competitive advantage (Pracejus, 2010). In the first phase it is urgent to differentiate two concepts: “fairness” and “unfairness”. It is easy to determine the meaning of the term “unfairness”. Thus, the situations about unfairness are so concrete and people can understand injustice easily. Beyond that, articulation of the term “fairness” is difficult

(Xia et al., 2004). According to some marketing academics, a fair price means the price that consumers are willing to pay (Kaufmann et al., 1991).

Price fairness perception is a sense like just, right, or legitimate that customer feels when he or she compares actual prices and reference (buyers` past experience, competitors` price, and other buyers` price) standard or norm prices (Campbell, 2007; J. Y. Chung & Petrick, 2013; Xia et al., 2004)**.** At the same time price fairness refers to some amount of money that is reasonable for companies to achieve the reference profit, as well as the acceptable margin for customers over the costs (Bolton et al., 2003). Marketing managers ought to know the exact meaning of price fairness perception and when they perceive price unfair (Campbell, 1999). Generally, consumers punish unfair firms and revenge them avoiding conducting with them (Campbell, 2007).

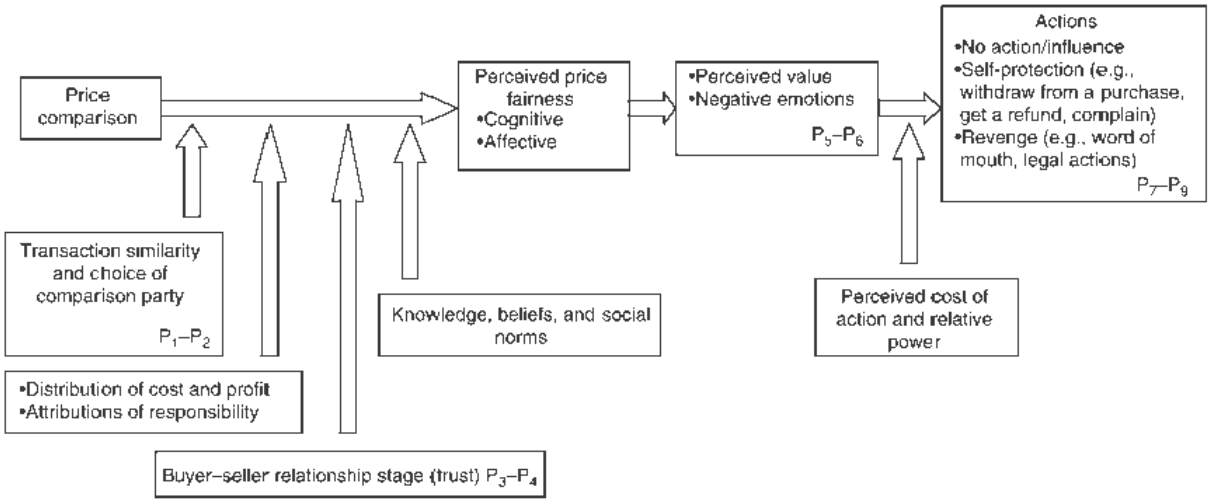

Figure 2. Conceptual Framework for Price Fairness

Source: Xia, L., Monroe, K. B., & Cox, J. L. (2004). The price is unfair! A conceptual framework of price fairness perceptions. Journal of marketing, 68(4), 1-15.

The foundation of price fairness perception stands for dual entitlement principle that was first discussed by Kahneman et al. (1986a). Simply, dual entitlement principle explains that, both consumers and companies have some expectation from transactions. The principle refers to companies are designated to reasonable profit, at the same time, buyers are entitled certain value (Bechwati et al., 2009; Campbell, 2007; Chung & Petrick, 2013; Kahneman et al., 1986a; Konuk, 2019; Lee et al., 2011). The theory contains two types of utility: Firstly, acquisition utility which interested in consumer's willingness to buy a good; secondly, transaction utility, that refers to consumer's

eagerness to purchase product or hesitance in accordance with price fairness perception if the offered price is just (Kachelmeier et al., 1991). Consumers perceive price increase fair, if firms` costs increase also (Bechwati et al., 2009; J. Y. Chung & Petrick, 2013) Thus, consumers perceive the price unfair if company disrupts the reference price. Arbitrarily arranged price changes to gain profit are unacceptable. Thus, neither consumers nor firms should benefit by causing a loss one another (Bechwati et al., 2009; Bolton et al., 2003; Campbell, 2007; Herrmann et al., 2007; Kahneman et al., 1986a; Konuk, 2019).

As can be seen from the definition all price fairness processes contain comparison mechanisms and these comparisons lead customers to 3 types of judgements: advantaged, disadvantaged and equal. (Xia et al., 2004). Equity theory refers to comparison of efforts to achieve outcome and benefits the customer get from exchange relationship (Bechwati et al., 2009; Lee et al., 2011; Oh, 2003). Due to evaluation of price fairness from buyer`s perspective, it is possible to bias fairness judgement. Because his or her self-interest focuses on maximization of outcomes. Based on distributive justice theory, results might be advantageous or disadvantageous. Consequently, whether inequality is in favor of customers, they feel guilt. Beyond that, there is inequity against customer, it will produce great negative feelings like anger, revenge (Oh, 2003; Xia et al., 2004). Generally, buyers do not have information about sellers` profit and therefore, they choose another method in which they make a comparison between what they paid and what they get in return. Availability of such information moderate equity-inequity evaluations. Furthermore, buyers at the same time, compare their own outcomes in return their costs with other buyers (Oh, 2003). There are several methods to reduce inequity (Lee et al., 2011):

- Input changes
- Output changes
- Twisting inputs or outputs
- Leaving the field
- Altering comparison objects
- Following up on the comparison objects
- Distorting others` inputs or outputs cognitively

2.5.1. Price Fairness Dimensions

There are 3 dimensions of fairness which have been researched widely during these years especially in consumer behavior areas. The dimensions of fairness are (Blodgett et al., 1997; Skarlicki & Folger, 1997):

- Procedural fairness
- Interactional fairness
- Distributive fairness

Distributive justice mainly focuses on allocation of resources among all parties involved in exchange process in return individual contribution or investment (Konuk, 2019; Vicente et al., 2006). There are 3 allocation rules: equity-means distribution according to inputs, equality-means the same number of rewards regardless inputs, need means distribution depending on each member`s welfare (Beugré & Baron, 2001; Martin et al., 2009).

Procedural justice refers to evaluation of formal procedures, policies and criteria for decision making (Bechwati et al., 2009). There are 6 principle (consistence-if processes to get results are unchanging; bias-suppression- if the discrimination based on irrelevant specifications; representativeness-handicap accessibility; accuracy-reliable information; correctability-customers must expend mistake correction, and ethics- customer expects in all situations) underlie procedural justice (Martin et al., 2009).

Interactional fairness means how company treats to the customers during organizational procedures, consumption experience, or conflict solution situation (Blodgett et al., 1997; Skarlicki & Folger, 1997; Vicente et al., 2006).

Generally, price fairness perception literature uses only two types of fairness perception mostly: distributive price fairness perception and procedural price fairness (Ferguson et al., 2014; Herrmann et al., 2007; Martin et al., 2009). In the modern and digitalized world, it is very easy to search and make comparisons which feeds distributive price fairness. Beyond that, procedural price fairness assesses if the seller behaves fair (Ferguson et al., 2014). According to Herrmann et.al (2007), price fairness perception is influenced by both distributive fairness and procedural fairness (Herrmann et al., 2007). Especially, procedural fairness might be more important than distributional fairness (Martin et al., 2009). For example, a price offer for the automobile, and delivery fees, as

well as, required down payment should be explained to customers. Because all of these terms like initial price offers and their explanation have impact on consumers` fairness perception (Herrmann et al., 2007).

2.6. Emotions in Marketing

Emotions are an inseparable part of marketing, and they exist on each parts and marketing is full with emotions. The factors below are influenced by emotions (Bagozzi et al., 1999):

- processing of information
- responding to persuasive arguments in a mediated manner
- evaluation of marketing impacts
- initiating goal settings
- acting on a plan
- making sure about consumer welfare

In marketing there are 4 main theories which focuses on emotions (Huang, 2001).

Theory name	Author	Neutral	Positive	Negative	Marketing Success
Differential Emotions Theory	Izard (1977)	+	+	+	Examine post-purchase emotions
Circular Model of Emotion	Plutchik, (1980)	+	+	+	This theory clarifies advertising emotions.
PAD Model of Affect	Mehrabian & Russell, (1974)	-	+	+	Useful for examining emotions during consumption
PANAS	Dube & Morgan, (1996)	-	+	+	Provides bipolar dimensions for measure (Negative/Positive or satisfaction/dissatisfaction)

Table 6. The theories of emotion in marketing

* This table has been established by the author.

As can be seen in Table 6., all the 4 psychology-based emotion theories have applications in marketing. While there are 3 dimensions (positive and negative) in the first two of these theories, it is seen that there are two extremes (negative and positive) in the later theories. The marketing equivalent of each theory and its effects as emotion are shown.

Consumers feel sad and angry if someone does something bad to them. There are different ways to act in each of these situations (Xia et al., 2004). According to certain research, the consumer's feeling of unfairness is low in this instance. But it does not increase purchase intention in comparing with price fairness situation (Gelbrich, 2011).

2.6.1. Pain of Paying

Considering the daily experiences of most consumers, it becomes evident that their emotions are significantly influenced by their expectations, beliefs, and the context in which they make payments (Zellermayer, 1996). There is agreement on the fact that, emotions have important influence on consumer behavior (Bourgonje, 2016).

The negative impact of emotions also serves as a check against excessive spending during payment. While individuals strive to maximize their own utility, the possibility of alternative costs and the potential for consumers to make incorrect decisions can create psychological discomfort, commonly referred to as the 'pain of paying'. This can also be described as the fear of not receiving what the consumer has paid for. As the time for payment comes, the individual experiences the pain of paying (Chan, 2021).

In the literature, the concept of pain of paying is addressed from 2 aspects. The traditional definition is only related to the pain felt at the time of payment (Reshadi & Fitzgerald, 2023). For example, in the definition made by Zellermayer (1996), the emotions felt by the consumer at the time of payment are mentioned. Later scholars considered both the immediate pain of payment and the expectation of future payment within the definition (Reshadi & Fitzgerald, 2023). Pain of paying is the discomfort experienced by consumers when they consider spending money (George & Krishnan, 2022). The sensation of discomfort or displeasure associated with spending money or the anticipation of doing so is known as the pain of paying (Mazar et al., 2017). In general, pain of paying can be referred as the emotions that consumers experience when they lose some of their financial resources or face the possibility of losing them (Reshadi & Fitzgerald, 2023).

CHAPTER 3 RESEARCH METHOD

Extensive research in both economics and marketing has been conducted on price discrimination, with a particular focus on its impact on consumer behavior. The most common research practice involves measuring consumers' perceived fairness and behavior in channel-based price discrimination settings. This study will effectively measure the impact of various price discrimination methods, including time-based, quantity-based, location-based, and customer characteristics-based, on consumers' perceptions of price fairness and repurchase intentions in an oligopolistic market structure. The study will focus specifically on Azerbaijan GSM operators.

This study uses an experimental design, a quantitative research method, to accurately measure the impact of price discrimination on price fairness perceptions and repurchase intention. The results will provide a clear understanding of the relationship between price discrimination and consumer behavior. Experimental design is the preferred research method for two primary reasons. Firstly, it has been extensively utilized in the literature to explore price fairness perceptions and implementations of price discrimination, as demonstrated by numerous studies (Campbell, 1999a; Choi & Mattila, 2009; Fassnacht & Unterhuber, 2016; Vogel & Paul, 2015; Xia et al., 2004, 2010). Secondly, experimental design is more effective in revealing the relationships being studied in this research. Experimental design is the most suitable method for determining cause-effect relationships. It is effective in finding causal relationships between concepts and understanding real-life behavior simultaneously. (Bhattacherjee, 2012; Hair et al., 2021; Vargas et al., 2017).

Consequently, experimental design is highly effective in establishing causal relationships between concepts and understanding real-life behavior simultaneously. This approach is known as the positivist approach. (Djamba & Neuman, 2014; Morales et al., 2017).

3.1. Research Model

The study focuses on the impact of price discrimination practices that are commonly used in Azerbaijani markets (specifically i) time-based, ii) quantity-based, iii) location-based, and iv) customer characteristics-based price discrimination) on the perceived price fairness and the repurchase intention of Azerbaijani consumers. In addition to measuring the effect of price discrimination on consumers' price fairness perceptions and repurchase intentions, the study also examines whether inferred firm motive mediates the relationship

between price fairness perceptions and repurchase intention. While investigating the effect of price fairness perceptions resulting from price discrimination on repurchase behavior and pain of paying, this research also examines how switching costs does affect this relationship.

Taking our research problems and questions (please refer to Table 1 in Chapter One) into the consideration, we have proposed our conceptual research model as shown in Figure 3 As can be seen from the figure, price fairness perception and repurchase intention are presented as the dependent variables of our research, and price discrimination is presented as the independent variable. Inferred motive and pain of paying are the mediating variables, while switching cost is the moderating variable of our research.

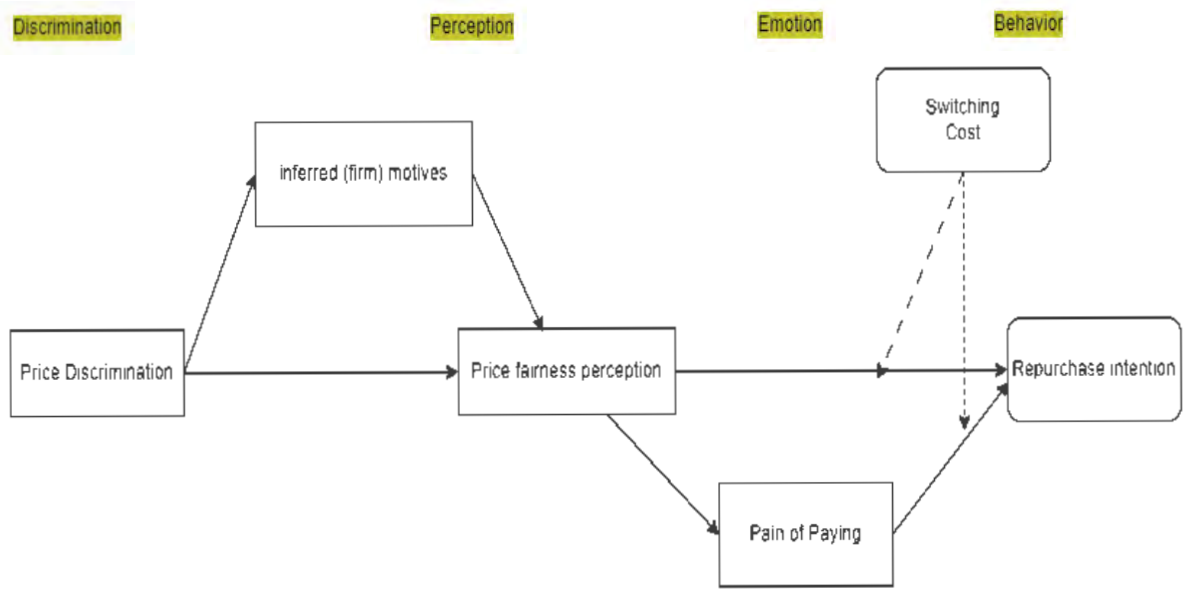

Figure 3. Proposed Conceptual Model

3.1.1. Price Discrimination and Price Fairness

The relationship between price discrimination and perceptions of price fairness has been examined in several studies. The study carried out by Bertrandie and Zielke (2019) demonstrates that whilst consumers anticipate reduced prices during online product sales, they also view pricing discriminations through promotions and discounts as unfair, even if they go on to purchase the goods (Bertrandie & Zielke, 2019). The impact of the implementation of price discrimination on customers' perceptions of price fairness was also validated by a survey in airline industry based on the scenarios of Choi and Mattila

(2009). Dai (2010) investigated the size of price discrepancy and the effect of temporal variation on association in the dynamic pricing domain. The study by Fassnacht and Unterhuber (2016) revealed that price discrimination affects consumers' price fairness perception, indicating a need for lower prices during online sales. The impact of channel-based price discrimination on customer retention in the mobile telecommunications sector was investigated by Vogel and Paul (2015). Customers are ambivalent about price discrimination. The results show that the perceived value has a more significant impact on the outcome of customer retention. Furthermore, online promotions and service charges have a direct effect, suggesting that other mediators need to get involved. The effect of price discrimination on price fairness perception and repurchase intention are investigated considering these studies. The study aims to measure how different forms of price discrimination affect price fairness perception of consumers:

H1: Price discrimination has a significant effect on the price fairness perception.

H1a: Time-based price discrimination has a significant effect on the price fairness perception.

H1b: Quantity-based price discrimination has a significant effect on the price fairness perception.

H1c: Location-based price discrimination has a significant effect on the price fairness perception.

H1d: Customer characteristics-based price discrimination has a significant effect on the price fairness perception.

3.1.2. Inferred motive

Consumer evaluations of marketing activities are found on the attribution theory, which proposes that individuals attempt to draw causal inferences about observed actions to shape their responses (Vaidyanathan & Aggarwal, 2003). Equity theory suggests that an increase in profits does not fully explain price fairness perceptions. Furthermore, perceptual factors that are difficult to assess remain unobservable. The inferred motive, which explains the logic or reasoning behind a price increase (Campbell, 1999), is one of these factors. Consumers' judgements about a company's motivation for a particular action are referred to as inferred motive (Xia et al., 2010). The motive can be either

positive or negative. For example, it may be perceived as a bad motive (Kukar-kinney & Monroe, 2011) if a company aims to increase its profits.

There are studies in literature on the mediating effect of inferred motive. For example, the researchers have examined whether perception and behavior vary according to positive or negative inferences (Campbell, 1999, 2007; Chen, 2018; Gasiorek & Giles, 2015; Heussler et al., 2009; Huangfu & Zhu, 2012; Joireman et al., 2013; Ratchford, 2014).

H2: Price discrimination has a significant effect on consumers' inferred motive.

H3: Inferred motive mediates the relationship between price discrimination and price fairness perception.

3.1.3. Pain of Paying

Considering the studies on price, the research deals with the price cognitively. Regarding the emotional side of the price, there is a discussion in terms of "fairness", which includes the information-processing aspect, which can also be evaluated emotionally (O'Neill & Lambert, 2001). In 2000's, the interaction between the price fairness perception and emotions are well studied (Campbell, 2007; Chebat & Slusarczyk, 2005; Heussler et al., 2009; Lii & Sy, 2009; Malc et al., 2021; Xia et al., 2004). The discussions about fairness underlined that fairness is an emotion as much as a cognition (Markovsky, 1988). In terms of translating emotions into action, the notion of fairness is critical. Taking more than one deserves, for example, creates guilt, while receiving less than one deserves causes resentment (Weiss et al., 1999). It has been previously confirmed that emotions mediate between fairness and behavior, in some cases fully and in some cases partially, influencing this relationship, and that this effect is dependent on the situation and circumstances (Hegtvedt & Killian, 1999). The strong relationship between emotions and perceptions has also been supported in the literature, especially in a study conducted with disadvantaged groups (Wright et al., 1990).

Consumer behaviors are influenced by emotions and emotions mediate the relationships with these behaviors and other factors. As a result, emotions may act as a conduit between customers' sense of fairness and their purchase decisions. (Chebat & Slusarczyk, 2005; Lii & Sy, 2009; Malc et al., 2021). From this point, it is critical to be able to regulate one's emotions, particularly during times of unsatisfactory experiences.

Even after an issue is resolved, if the customers' emotional requirements are not addressed, their loyalty behavior might be harmed. Emotions are both positive and negative.(Chebat & Slusarczyk, 2005; Xia et al., 2004). Emotions that occur during the payment period or before payment are usually stress and discomfort (Zellermayer, 1996). These feelings are referred to as pain of paying. The phrase 'pain of paying' refers to the sudden and obvious psychological or hedonistic discomfort that arises from the act of making a payment (George & Krishnan, 2022). In the literature, the preference of payment methods also affects the decision of pain of paying. The consumer has to make a decision while he is experiencing the discomfort of the payment (George & Krishnan, 2022; Jakupovic, 2018). Therefore, it is useful to analyze feelings about price from a fairness-oriented perspective and to address them from this perspective.

Considering all the above, it is necessary to test the effect of price fairness perception on pain of paying and whether pain of paying concept mediates the relationship between repurchase and price fairness perception. Therefore, the relevant hypotheses are as follows:

H4: Price fairness perception has a significant effect on the pain of paying.

H5: Pain of paying mediates the relationship between price fairness perception and repurchase intention.

3.1.4. Repurchase Intention

The relationship between consumer behavior and price fairness perceptions has always been a major topic both in the literature by academics and in practice by companies. For instance, a study investigated the correlation between customer loyalty and price fairness perception. The study analyzed how the magnitude of the price change affects the formation of price fairness perception (Martin et al., 2009). In a study examining the effect of price fairness perception on repurchase intention when price discrimination was applied between existing and new customers, it was found that the existing customers felt unfairly treated due to the disadvantageous pricing applied to them by the firm to obtain new customers. This situation creates a trust problem for new customers and makes them feel insecure (Fernandes & Calamote, 2016). Three types of behavior emerge from the examination of the relationship between perceived price fairness and consumer behavior: inaction, self-protection, and revenge (Malc et al., 2016). This research examines how consumer behavior, particularly repurchase intention, is affected by the price fairness

perception based on certain these three behavior types. The research hypothesis was the following.

H6: Price fairness perception has a significant effect on the repurchase intention.

3.1.5. Switching Costs

Switching costs are one of the elements of switching barriers, which are factors that make switching providers expensive for consumers (Jones et al., 2000). According to Vogel & Paul (2015), switching costs have an impact on price perceptions and customer behaviors. In the studies where multichannel price discrimination practices are carried out, it has been emphasized that the decrease in the switching cost may cause a transition between these channels (Wolk & Ebling, 2010). Switching costs are widely acknowledged as a tool for sustaining relationships with customers, no matter how pleased customers are (Jones et al., 2007). According to *social exchange theory*, individuals tend to be more rational, and people are thought to seek income by avoiding costs (Zakiy, 2019). Therefore, companies try to increase their switching costs to keep their customers loyal. This situation is expected to prevent the transition of consumers to other companies (Baloglu et al., 2017).

In a study analyzing the relationship between customer satisfaction and customer loyalty, it was found that when the moderating effect of switching costs is activated, consumer loyalty persists even in cases of dissatisfaction, because the consumer has a sense of commitment to the firm (Dagger & David, 2012). In addition, de Matos et al (2009) examined and compared the antecedent, mediating and moderating roles of switching costs in the relationship between consumer satisfaction and loyalty. The crucial role of switching costs has been established in all models. Therefore, it is advisable to use it according to the research context (de Matos et al., 2009). For instance, Switching costs have a moderating effect on the relationship between value perception and loyalty (Rahi & Ghani, 2016). In the study by Ting (2014) investigated the effect of switching costs on repurchase intentions, considering different satisfaction levels, and found a direct effect at moderate levels of satisfaction. To give an example of studies in which switching costs have a mediating effect, the study carried out by Edward and Sahadev, (2011) is a good example. When analyzing the moderating effect of switching costs between price discrimination and consumer behavior, it is found that when channel-based price discrimination exists, consumers can easily switch brands if there is a situation that

reduces the effect of switching costs (Wolk & Ebling, 2010). Xia et. al. (2004) examined the moderating effect of perceived cost between emotions and behavioral response. On this basis, the study examines the moderating effect of switching costs on the relationship between pain of paying and repurchase intention, as well as the relationship between price fairness perceptions and repurchase intention. The following hypotheses have been formulated accordingly.

H7: Switching costs moderates the relationship between price fairness perception and repurchase intention.

H8: Switching costs moderates the relationship between pain of paying and repurchase intention.

3.1.6. Price Discrimination methods

Price discrimination is made in terms of customer characteristics, time, performance, location, channel, and volume (Corrocher & Zirulia, 2010; Klein & Loebbecke, 2000; Reinartz et al., 2017). Time-based price discrimination refers to differentiation of prices during a various period (Besbes & Lobel, 2015; Jang et al., 2019; Simon et al., 2019) Intertemporal price discrimination is another name for time-based price discrimination (Besbes & Lobel, 2015; Simon, 2015). because of technological advancements, product sales began to occur through both traditional and online channels, particularly in the retail sector. Companies, as is well known, spend less money on online sales than they do on traditional sales. This situation leads to price discrimination between the two channels, which is referred to as multi-channel pricing (Fassnacht & Unterhuber, 2016; Haucap & Heimeshoff, 2011; Vogel & Paul, 2015; Wolk & Ebling, 2010). As women tend to pay more than men for items which appeal to them, particularly in the clothing and personal care sectors, the use of symbols (e.g. pink) to indicate their uniqueness to women and the application of the 'pink tax', added to the price of the item, have become widespread. Through price discrimination practices, gender-based price discrimination is a common example of customer characteristics-based discrimination (Jacobsen, 2018; Salman & Ayoubi, 2019).

In line with the research objective, this study analyses the impact of different price discrimination implications on fairness and behavior.

H9: Consumers' price fairness perception and repurchase intention vary according to price discrimination methods; namely, time-based, quantity-based, location-based and customer characteristics-based price discriminations.

3.2. Research design

Quantitative research involves the use of structured queries and predetermined answer selections in surveys distributed to a substantial number of respondents (See: Appendix 5). This method aims to gather numerical data for statistical analysis and drawing conclusions about a population or phenomenon (Hair et al., 2021).

The research methodology used in this study was an experiment design. Simply defined, an experiment is a comparison of the new situation that results from changing one factor in a given circumstances with the old situation (Djamba & Neuman, 2014). Experimental design involves manipulating one or more independent variables as treatments, randomly assigning subjects to different treatment levels, and observing the effects of treatments on dependent variables (Bhattacherjee, 2012). Experiments allow researchers to control and manipulate presumed causal factors or, as they are known in experimental research, independent variables (Vargas et al., 2017). A scientific experiment involves the methodical manipulation of one or more independent variables and the evaluation of their effect on one or more dependent variables, while controlling for and eliminating the influence of extraneous variables (Koschate-Fischer & Schandelmeier, 2014). Experiments are a way of testing the extent to which one phenomenon influences another (Vargas et al., 2017). Experiments are classified into two distinct categories: true experiments and quasi-experiments. The main difference between these 2 types of experimental study is random allocation. If participants are randomly assigned to the experimental group, it is called a true experiment; if it is not possible to randomize, the study is called a quasi-experiment (Bhattacherjee, 2012).

Some authors do not consider the quasi-experiment as a type of experimental study and argue that it is a pre-experimental study (Hair et al., 2021; Leary, 2012). However, unlike traditionalists, recent contemporary authors consider quasi-experimental studies as experiments (Bhattacherjee, 2012; Djamba & Neuman, 2014; Reichardt, 2019; Shadish et al., 2002).

This study applies 4 different types of price discrimination to one group, namely all Azerbaijanis receiving services from GSM operators. In summary, there are 4 different

treatments - time-based price discrimination, location-based price discrimination, quantity-based price discrimination and customer characteristics-based price discrimination - applied to a single group. In the absence of a pre-test or control group, this study is known as a single group only post-test experimental design and is considered a type of quasi-experimental design (Bhattacherjee, 2012; Djamba & Neuman, 2014; Reichardt, 2019; Shadish et al., 2002).

3.3. Experiment Design Process

In the experimental phase of the research, there were no sharp distinctions between the participants. Therefore, all owners of GSM operators were treated as a single group. As the previous experience of this group is difficult to measure, the effect of price discrimination on the dependent variables was analyzed using a treatment with existing campaigns. To avoid the singular matrix problem, one of the four treatments was chosen as the base variable and its relationship with the remaining ones was compared.

The design of the experiment included a pilot phase, with the aim of improving quality and accuracy. Within the framework of feedback from participant interviews, a more effective structure was established. This structure was pilot tested with 100 participants. The model was revised to its latest and improved version based on the feedback from the pilot test. The implementation process of the experiment was then under way. The survey was conducted between 1 September 2023 and 20 October 2023. The experimental process is shown in Figure 4.

Figure 4. Experiment Process

SPSS 27.0 and SmartPLS 4.0 software packages were used to analyze the data. SPSS 27.0 was used to create dummy variables for four different types of pricing discrimination

strategies and to encode the data. SmartPLS 4.0 was used to test our proposed research model.

At the end, a total of 866 individuals were surveyed, based on four distinct scenarios, representing the general population. Only 8 participants were excluded due to providing nonsensical or improperly filled responses. The data collection period spanned from September 1, 2023, to October 20, 2023.

Price Discrimination Method	Frequency	Percent
Time-based Price Discrimination	205	23,9%
Quantity-based Price Discrimination	212	24,7%
Location-based Price discrimination	217	25,3%
Customer characteristics-based price discrimination	224	26,1%

Table 7. Participant distribution for Price Discrimination methods scenarios

Table 7. represents the frequency and percentage distribution of the participants for four different types of price discrimination methods and their respective percentages within each specific survey and scenario. Since a quasi-experiment was used, participation in the scenarios was carried out with a one-group post-test only experiment method. At this point, by making the necessary adjustments within the scenario, four different treatment types were applied to the main population through four different surveys. All of the participants in the sample, which represented the main population, were randomly assigned to the groups of subjects.

- *Time-based Price Discrimination*: 205 respondents participated in this price discrimination scenario, constituting 23.9% of the total participants.
- *Quantity-based Price Discrimination*: 212 respondents participated in this price discrimination scenario, representing 24.7% of the total instances.
- *Location-based Price Discrimination*: 217 respondents participated in this price discrimination scenario, making up 25.3% of the total instances.
- *Customer Characteristics-based Price Discrimination*: 224 respondents participated in this price discrimination scenario, constituting the highest percentage at 26.1%.

3.3.1. Scenario Creation

To conduct a scenario-based experiment study, it was necessary to choose a sector where the different price discrimination methods are applied. In the studies conducted in the literature, GSM operators, that is, the telecommunication sector, were chosen as the sector

where different pricing methods are applied (Vogel & Paul, 2015). Based on its' usage, this research has also focused on the Azerbaijani GSM market.

Within the scope of the study, four different scenarios were developed by the researcher, each corresponding to one pricing discrimination method, namely, time-based, quantity-based, location-based and customer characteristics-based price discriminations. In each scenario, one poster was presented to the respondent. The poster contained a campaign representing the relevant pricing discrimination method. Alongside the campaign, an attempt was made to learn about the consumer's thoughts regarding the campaign within the scenario framework (See Appendixes). The participants read a scenario about the GSM operator that provided them with the service, before they were exposed to the scenario poster and before they participated in the experiment (See: Appendix 2). The experimental design scenario looks like the following.

> *"Please share your thoughts on your mobile operator's upcoming campaign outlined below.*
>
> *You have recently learned that your mobile operator is going to launch a special tariff promotion for one of the two groups of people shown in the advertisement that you have seen on social media. As a result, one group will be able to subscribe to the same service at a lower cost than you."*

3.3.2. Determining research context

In this study, four different scenarios were created based on the four most encountered price discrimination methods (namely, a. time-based, b. quantity-based, c. location-based and d. customer characteristics-based price discriminations) in the Azerbaijani GSM market by the researcher. In each of these scenarios, one method of pricing discrimination, our independent variable, was selected and the respondents were asked to answer the questionnaire based on the scenario.

Price Discrimination method		Treatment	Post-test
Time-based price discrimination	R		
Quantity based price discrimination	R	X1	O1
Location-based price discrimination	R	X2	O2
Customer characteristics-based price discrimination	R	X3	O3

Table 8. Post-test design with different levels of independent variables

As shown in Table 7., the purpose of the study was to examine the effect of price discrimination on the dependent variables of price fairness perception and repurchase intention by establishing four levels of price discrimination, one of which served as a reference point for comparing its influence on dependent variables with other dimensions.

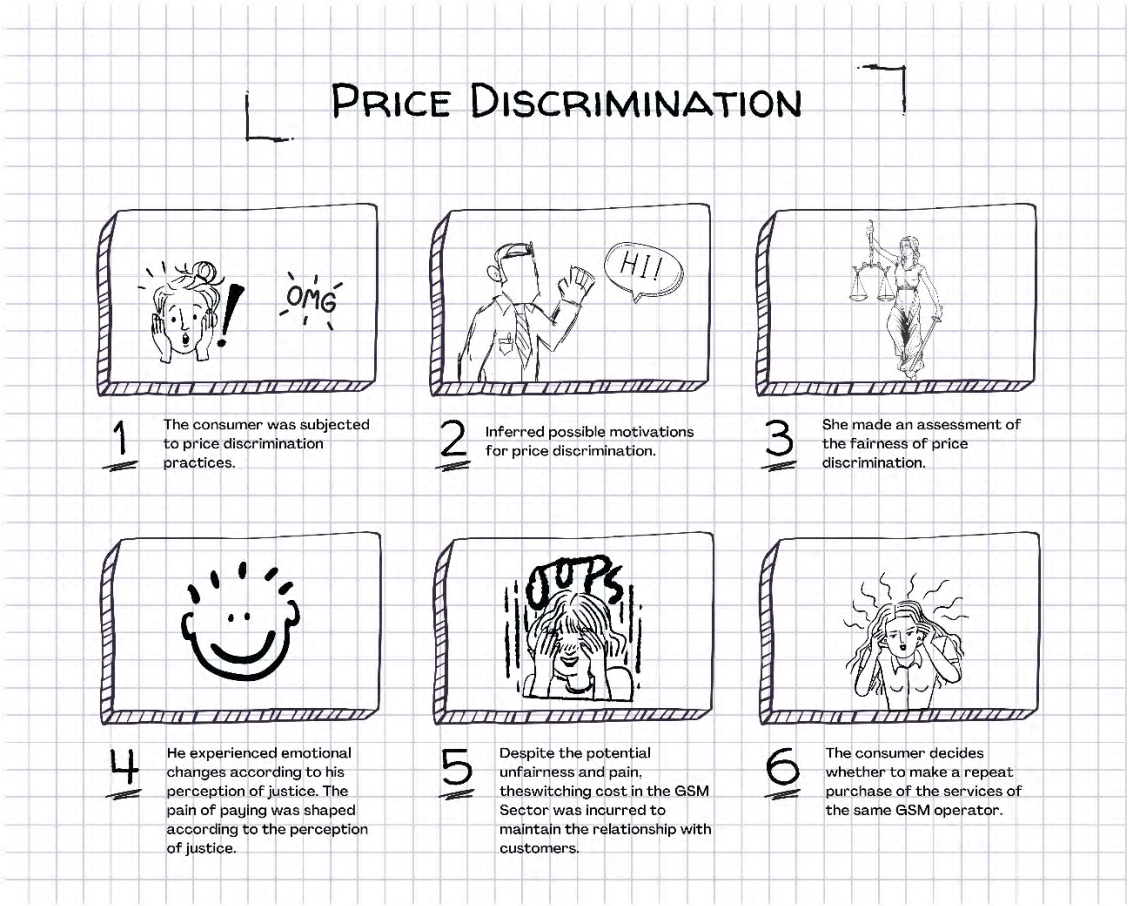

Figure 5. The story behind the research

Figure 6 illustrates the six stages that outline the basic structure of the research and the situation under investigation. The research's nature, methodology, and inquiry evolved from the processes described in this narrative.

In this experimental design study, one group pre-test experiment was conducted. Four different types of price discrimination were determined as manipulated variable. The single group was treated separately with each of the 4 different price discrimination treatments. The one group mentioned in this study is Azerbaijani citizens over the age of 18 living in Azerbaijan who have mobile phone, which is the population represented by the sample. Hence, they were randomly allocated to different groups based on price discrimination options. This is because the basic assumption in the experimental design

of the study is that it is possible for all group members to participate in all treatment groups. In other words, there is no need for any discriminative feature or categorization when placing participants in groups.

The hypothetical model of the experiment is shown in Figure 6. Both the manipulated and the measured variables are clearly visible within this model. In addition, there is a visual representation of the structure of the hypotheses. Since only price discrimination is manipulated, it is the only variable that is subject to change. The model incorporates price discrimination at four different levels: time-based, quantity-based, customer characteristics-based, and location-based discrimination. Due to singular matrix issue, one of these four levels is taken as the baseline. The others are compared to this baseline.

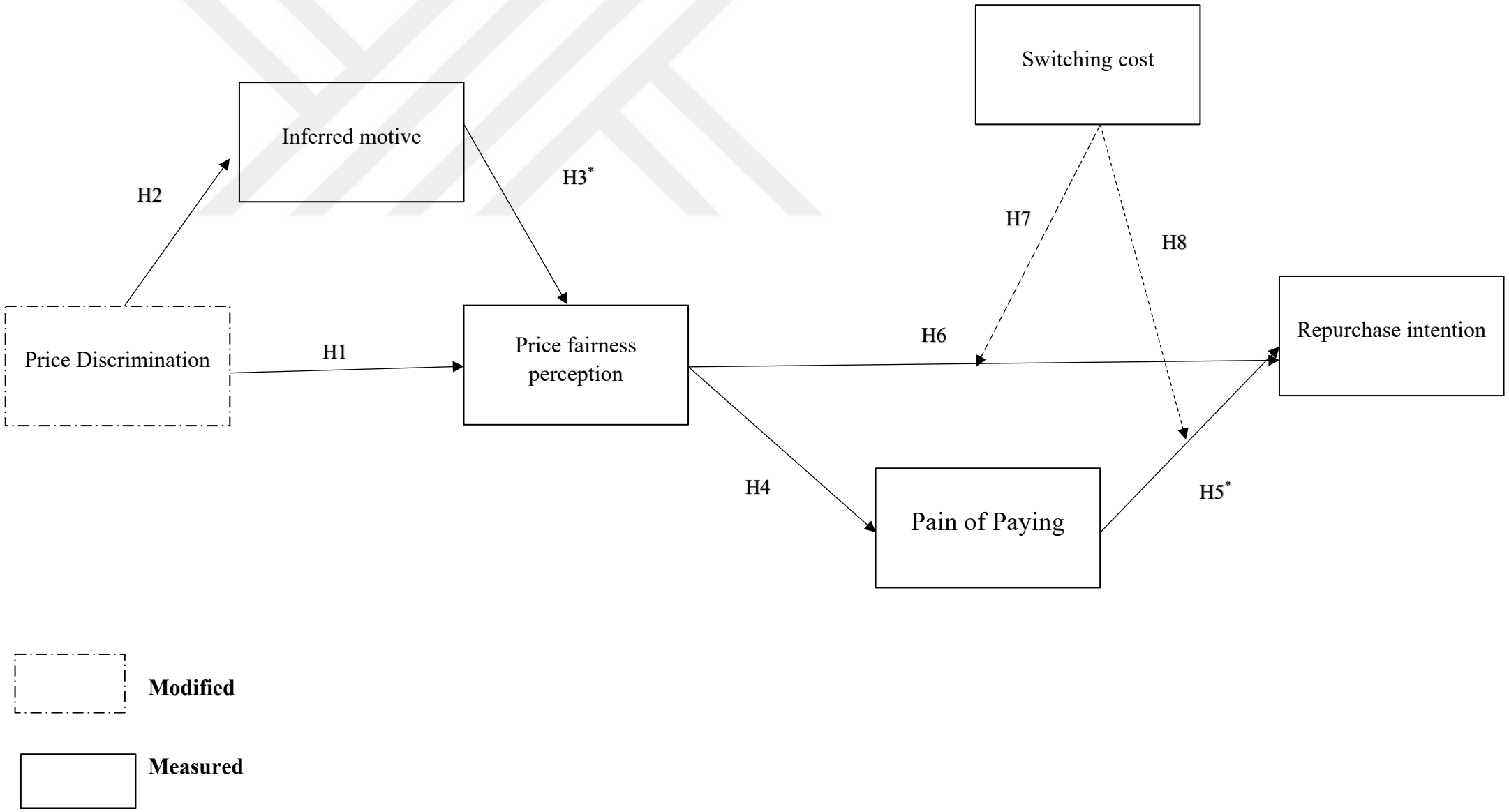

Figure 6. Hypothetical model of the experiment

3.3.3. Research Instruments and Measurements

The data collection tool used in the study was a questionnaire. Specifically, to maintain a link with real-life behavior, the study asked participants about their actual mobile operator usage. Overall, participants were asked to complete the questionnaire assuming their current mobile operator had launched an advertising campaign using the relevant pricing discrimination. (See: Appendix 3)

Given the information in Table 8., the concepts, the items available to measure the concepts, and the sources from which they are taken are shown. The studies carried out in Azerbaijan are evaluated using a 5-point Likert scale, which considers the cultural structure of the society. Therefore, statements that measure inferred motives and pain of paying are given grades of 5 instead of 7. The measurement of price fairness perception was made with a 3-point scale that evaluates whether the phenomenon is fair, reasonable, and logical. This scale was taken from Konuk (2019).

In addition, inferred firm motive emerged as a 4-point scale to measure the approach between the 2 extremes focusing on negative and positive perception. This scale was developed by Joireman et al. (2013). The pain of paying scale measures the emotional and psychological impact on consumers based on how they perceive price fairness. It consists of one semantic and six Likert-type statements. The semantic statement has a 😊 sign on the left and a ☹ sign on the right, while the rest of the six statements are Likert scale statements. This scale was taken from Xu (2022).

Repurchase intention consists of 4 statements (Dai, 2010). The main reason for choosing this scale to measure this variable is that it was used in the thesis on pricing.

The switching cost consists of 6 items. This item is generally industry specific and is independent of the relations between the variables. Switching cost was assessed by using six expressions, borrowed from Gefen D. (2002).

Item	Code	Variable	Reference
The price difference offered by the mobile operator in this campaign is fair.	fair1	**Perceived price fairness**	Konuk, F. A. (2019). The influence of perceived food quality, price fairness, perceived value and satisfaction on customers' revisit and word-of-mouth intentions towards organic food restaurants. *Journal of Retailing and Consumer Services*, *50*, 103-110.
The price difference offered by the mobile operator in this campaign is acceptable	fair2		
The price difference offered by the mobile operator in this campaign is reasonable.	fair3		
The mobile operator in this campaign had good intentions (1) – . . .had bad intentions (5).	inf1	**Inferred (firm) motives**	Joireman, J., Grégoire, Y., Devezer, B., & Tripp, T. M. (2013). When do customers offer firms a "second chance" following a double deviation? The impact of inferred firm motives on customer revenge and reconciliation. *Journal of Retailing*, 89(3), 315-337.
The mobile operator in this campaign did not intend to take advantage of me (1) – intended to take advantage of me (5).	inf2		
The mobile operator in this campaign was primarily motivated by my interest (1) – . . . its own interest (5)	inf3		
The mobile operator in this campaign did not try to abuse me (1) – . . .tried to abuse me (5).	inf4		
How do you feel when you're considering buying a chair and the couch after you receive the message?		**Pain of Paying**	Sheehan, D., & Van Ittersum, K. (2018). In-store spending dynamics: how budgets invert relative-spending patterns. *Journal of Consumer Research*, *45*(1), 49-67.
😊 ---------- 🙁	paino1r		
Pain	paino2		
Comfortable	paino4r		
Empowered	paino5r		
Irritated	paino6		
Pleasant	paino8r		
Regardless of the pricing policies of my chosen operator, I will continue to receive service.	pur2	**Repurcahse intention**	Dai, B. (2010). The impact of perceived price fairness of dynamic pricing on customer satisfaction and behavioral intentions: The moderating role of customer loyalty. Auburn University.
Regardless of the prices offered by competitors, I will continue to use the services of my chosen mobile operator for the next few years.	pur3		
I will continue to use the services of the mobile operator of my choice, regardless of the fact that its prices may be slightly higher than those of its competitors.	pur4		
For me, it is costly to switch to a different mobile operator, both in terms of the benefits and the loss of money.	sc1	**Switching cost**	Gefen, D. (2002). Customer loyalty in e-commerce. *Journal of the Association for Information Systems*, *3*(1), 2.
Switching to another mobile operator would take too long	sc2		
Switching to another mobile operator vendor would require too much learning	sc4		
Switching to another mobile operator would require too much effort	sc5		
Switching to another mobile operator would be too expensive	sc6		

Table 9. Research Measurement Scales

3.3.4. Research Sample

The non-random convenience sampling technique was used for sampling in the study. Convenience sampling involves selecting participants based on their availability, without subjective evaluations or speculation. It is important to note that this method may not provide a representative sample (Isaac, 2023). The reason for choosing this sampling technique is that the study to be conducted represents everyone over the age of 18. The population of the study is all Azerbaijani citizens living in Azerbaijan, over 18 years old, owning a mobile phone and using a GSM line. This is because in Azerbaijan people under the age of 18 are not allowed to own a GSM line due to the law (Azercell, 2023).

Due to the size and scope of this nationwide study, the decision has been made to conduct the study via the Internet, as this allows for easier access to the defined sample and the possibility of reaching different participants to represent the population. When the pilot studies were carried out face to face, it was difficult to reach a sufficient number of individuals and diversity to represent the population. In view of the time and budget constraints, it was considered appropriate to use convenience sampling, which is a non-random sampling method, to obtain data for this study. A major consideration in the choice of these methods is the widespread ownership of mobile phones in the country, with an average of 1.2 phones per person (Wearesocial, 2021). If everyone has the ability to switch to their preferred mobile operator, all members of the population were considered eligible to participate in the survey.

The sample size to be used in the experimental design was determined based on the literature. The sample size was calculated to be 784 with a 95% confidence interval ($z=1.96$) and a 3.5% margin of error to represent the main population (an estimated 7.2 million people), (SSCAR, 2023) based on formulae in the literature (Israel, 1992). Given that there are four different practices of price discrimination in the study, the complexity of the model and the fact that the sample covers the whole country, this method is considered to be efficient.

3.3.5. Pre-experiment process and Manipulation Check

There were 2 variables to be manipulated: i) price-discriminating practices; ii) inferred firm incentives.

a. **Pilot Study I:** Prior to conducting the experiment, switching cost had been considered as the mediator variable on the basis of what had been found in the literature. As noted above, the inferred firm motive was another variable for manipulation. However, in the first pilot study, when the variable was manipulated, the research was designed by means of random assignment, without giving the respondents the right to select. During the completion of the questionnaire, face-to-face discussions were held with the users of the GSM operators and their opinions on the questions in the survey were discussed. Following their feedback, it would be better to let the respondent decide whether to choose positive or negative conclusions. As the initial model was ineffective, a subsequent pilot study was conducted to modify the model in accordance with the obtained feedback.

b. **Pilot Study II:** The researchers adjusted the scenarios to reflect price discrimination and then asked participants to indicate what conclusions they would draw in the given circumstances. Participants were then asked to indicate what conclusions they would draw if faced with the given situations. Based on their choices, the respondents were assigned to specific groups and answered the questionnaires accordingly. Unfortunately, the results showed that this approach was not effective. A further analysis of the literature was carried out, which led to the development of the revised model by making the necessary adjustments. The idea of a inferred motive was excluded from the variables to be manipulated, as the inferred motive of the company does not function as a manipulator in the model framework and it is difficult to manipulate individual emotions. In summary, the inferred motive was found to be mediated and switching costs were found to be moderated. Furthermore, literature indicates the emotional reaction of consumers towards perceived price fairness. Hence, the model was updated with the inclusion of pain of paying variable.

Thus, only the variable of price discrimination practices was subject to manipulation. Consumers received informative text, simpler and clearer explanations, and additional bracketed information. No perception problems were found in subsequent tests.

3.3.6. SMART PLS

The data was analyzed, and research questions were confidently answered using SMART PLS 4.0, the most appropriate tool for building complex models and examining

relationships between variables. Moreover, the SMART PLS program is perfect for formative and reflective studies. Another point is that it evaluates the model as a single model and not in stages (Hair et al., 2021). In addition, another study by Vogel and Paul (2015), which is similar to this study, also used SMART PLS (Vogel & Paul, 2015).
In addition to the above, some variables in the model are treated as both exogenous and endogenous. Hence, analysis cannot be performed in programs such as AMOS and LISREL. Therefore, SMART PLS was determined as the most appropriate tool for the study (Ramayah et al., 2021).

3.3.7. Partial Least Squares – Structural Equation Model

Structural equation model is a tool used to analyze multivariate data. Structural equation models provide more effective solutions than ordinary regression models for testing dependent and independent variables, as well as hypothetical latent constructs that will represent this set of variables (Savalei & Bentler, 2006).

Partial Least Squares (PLS) analysis is a powerful multivariate statistical technique used for analyzing relationships between multiple variables. It's particularly valuable in situations where there are many interrelated variables and complex causal relationships. PLS can be employed in various fields such as economics, engineering, social sciences, and more. It's especially popular in structural equation modeling and regression analysis (Savalei & Bentler, 2006).

PLS-SEM, or PLS path modeling, is becoming more widespread day by day in terms of use in social sciences. Although its use has become widespread since the early 2000s, around 300,000 results are displayed when "PLS-SEM" is typed in the search engine. Here are the main reasons why PLS-SEM has become so widespread (Haenlein & Kaplan, 2004):

- Easy to use interface;
- Endogeneity test;
- Simultaneous testing of relationships between variables;
- Multiple durability tests;
- Taking into account measurement errors that occur in the evaluation of abstract concepts.

3.3.8. Ethics Committee Confirmation

The study was in accordance with the ethical requirements for experimental research. There is no opportunity to mislead or misguide the participants. The participants have been informed by means of the voluntary participation form and it has been explained to them that the information collected will only be used for scientific purposes. It is guaranteed that data received from subjects will be anonymized. The ethics committee approved the data collection process.

3.4. Findings

The analysis of the data collected within the scope of the study was conducted under three main categories: Descriptive statistics, validity and reliability analyses, and the research model testing.

3.4.1. Descriptive statistics

Table 10. below presents the descriptive statistics pertaining to the distribution of gender and income levels within the sampled population.

Descriptive Statistics	Category	Frequency	Percent
Gender	Male	461	53,7%
	Female	397	46,3%
Income	500 AZN and below	381	44,4%
	501-1000 AZN	150	17,5%
	1001-1500 AZN	126	14,7%
	1501-2000 AZN	65	7,6%
	2001-2500 AZN	49	5,7%
	2501 AZN and above	87	10,1%

Table 10. Demographic distribution

In terms of gender distribution, the sample is slightly skewed towards males, constituting 53.7% of the total participants. Females, on the other hand, account for 46.3% of the sample. This indicates a relatively balanced representation of genders in the study. Turning to income distribution, the majority of participants, comprising 44.4%, reported an income of 500 AZN or below. Moving up the income scale, 17.5% of participants reported incomes between 501 and 1000 AZN, indicating a notable segment falling within this range. Moreover, 14.7% reported incomes ranging from 1001 to 1500 AZN, signifying another significant group within this income bracket. It is also observed that 7.6% of participants reported incomes between 1501 -2000 AZN. This group represents a smaller portion of the sample, indicating a decrease in frequency as income levels rise. Moreover, 5.7% reported incomes ranging from 2001 to 2500 AZN. This category

represents a relatively smaller segment of the sample, suggesting a lower frequency of individuals with income levels in this range. Finally, the highest income bracket, 2501 AZN and above, is reported by 10.1% of participants.

In summary, the distribution of gender and income levels provides a detailed insight into the composition of the sampled population, indicating a diverse representation across both gender and income categories.

Table 11. given below presents the distribution of mobile operator usage among the surveyed population.

Mobile Operators	Frequency	Percent
Azercell	458	53,4%
Bakcell	346	28,6%
Narmobile	155	18,1%

Table 11. The distribution of Azerbaijani mobile operators used

- **Azercell:** Among the respondents, 458 individuals, constituting 53.4% of the total, reported using Azercell as their mobile operator. This indicates a clear majority of respondents prefer Azercell.
- **Bakcell:** The data shows that 346 respondents, or 28.6% of the total, reported using Bakcell as their mobile operator. This represents a significant but comparatively smaller portion of the respondents.
- **Narmobile:** The smallest portion of respondents, 155 individuals, accounting for 18.1% of the total, reported using Narmobile as their mobile operator. This indicates the lowest frequency of usage among the three operators.

3.4.2. Assessment Criteria for Model Testing

The PLS-SEM (Partial Least Squares Structural Equation Modeling) method is divided into two parts: the first part analyzes the measurement model, and the second part analyzes the structural model.

The first section includes reliability and validity analyses using internal consistency, convergent validity, and discriminant validity assessments. In the second part, the structural equation model is applied for relationship analysis. All criteria used as a measurement tool for model and structural equation model are presented in Table 12.

Concept	Technic	Value	Note
Internal Consistency Reliablity	**Cronbach`s Alpha**	≥,70	Model reliability test
	CR		
Convergent validity	**AVE**	≥,50	Model validity test
	Factor Loadings	≥,40-,70	
	Cross Loadings	It means that the factor loading within the structure is greater than all cross-loadings in other structures.	
Discriminant validity	**HTMT**	The ratio of the average correlations of items belonging to variables within the model to the geometric mean of the correlations of items belonging to the same variable.	
	Fornell-Larcker	It indicates that the square root of the Average Variance Extracted (AVE) for each construct should be higher than its correlations with other constructs.	
Collinearity	**VIF**		<5
R^2	It indicates the percentage of the dependent variable's variance explained by the independent variables.		,25 (low) ,50 (medium) ,75 (high)
Q^2	It indicates the predictive power of the dependent variable.		>0 "It has predictive power. <0 It lacks predictive power
	Relationship Coefficients		
p value	It denotes reliable results with a 95% confidence interval.		<,05
t statistics value			>1,96

Table 12. Assessment and acceptance scores for measurement and structural model

Source: Hair Jr, J. F., Hult, G. T. M., Ringle, C. M., Sarstedt, M., Danks, N. P., & Ray, S. (2021). Partial least squares structural equation modeling (PLS-SEM) using R: A workbook (p. 197). Springer Nature.

3.4.3. Validity and Reliability

A confirmatory factor analysis was carried out to verify construct validity and reliability. Convergent and discriminant validity as well as internal consistency reliability of the constructs were examined using factor analysis. The results are presented at the table given below.

Variable	Item Code	Factor Loading	Cronbach Alpha	CR	AVE
Price Fairness Perception	fair1	0,905	0,893	0,917	0,824
	fair2	0,902			
	fair3	0,915			
Inferred motive	inf1	0,814	0,801	0,867	0,621
	inf2	0,816			
	inf3	0,705			
	inf4	0,811			
Pain of Paying	paino1r	0,793	0,808	0,864	0,521
	paino2	0,506			
	paino4r	0,808			
	paino5r	0,761			
	paino6	0,589			
	paino8r	0,816			
Repurchase intention	pur2	0,875	0,865	0,917	0,787
	pur3	0,903			
	pur4	0,883			
Switching cost	sc1	0,676	0,825	0,877	0,590
	sc2	0,769			
	sc4	0,825			
	sc5	0,768			
	sc6	0,794			

Table 13. Reliability and Validity Assessment

The factor loadings of the items in the Price Fairness Perception scale are above 0.9. Furthermore, the Cronbach Alpha value is 0.893, and the Composite Reliability Coefficient is determined to be 0.917. The AVE value is 0.824. Based on the criteria in Table 13., it is found that the concept of Price Fairness Perception exhibits both internal consistency reliability and convergent validity.

The items within the Inferred Motive scale display factor loadings exceeding 0.8. Moreover, the Cronbach Alpha coefficient stands at 0.801, signifying a notable level of internal consistency. The Composite Reliability coefficient is 0.867, affirming strong reliability. The AVE value, at 0.621, underscores that the scale effectively captures a significant portion of variance. In accordance with the standards detailed in Table 13., it is unequivocal that the construct of Inferred Motive attains both robust internal consistency reliability and convergent validity.

The indicators within the Pain of Paying construct exhibit acceptable factor loadings, all surpassing the threshold of 0.7. Furthermore, the Cronbach's Alpha coefficient attains a laudable value of 0.808, denoting a high degree of internal consistency. The Composite Reliability coefficient, standing at 0.864, provides further testament to the construct's

reliability. The AVE value, recorded at 0.521, substantiates that the construct effectively captures a substantial proportion of the underlying variance. In accordance with the specified criteria within Table 13., the Pain of Paying construct demonstrates both robust internal consistency reliability and convergent validity (Hair et al., 2021).

The indicators in the Repurchase Intention construct have excellent factor loadings, all of which surpass the 0.7 threshold, suggesting a reliable assessment. Furthermore, the Cronbach's Alpha coefficient is 0.865, indicating a high level of internal consistency. The Composite reliability coefficient, at 0.917, confirms the construct's substantial reliability. The AVE value of 0.787 confirms that our Repurchase Intention scale captures a substantial percentage of the underlying variation. Based on the criteria provided in Table 13., its observed that the Repurchase Intention construct has both good internal consistency reliability and convergent validity.

The indicators within the Switching Cost construct reveal acceptable factor loadings, all surpassing the threshold of 0.7. Additionally, the Cronbach's Alpha coefficient presents the value of 0.825, denoting a high degree of internal consistency. The Composite Reliability coefficient, standing at 0.877, provides further testament to the construct's reliability. The AVE value, recorded at 0.590, substantiates that the construct effectively captures a substantial proportion of the underlying variance. In accordance with the specified criteria within Table 13., it is evident that our Switching Cost construct demonstrates both robust internal consistency reliability and convergent validity.

3.4.4. Discriminant Validity

Discriminant validity serves to distinguish between measures of different constructs and assess the extent of differentiation among overlapping constructs. Unlike convergent validity, it verifies whether the items inadvertently capture unintended aspects. In PLS, two common methods for evaluating discriminant validity (Alnakhli, 2019; Fornell & Larcker, 1981): is present 1. cross loadings and 2. Fornell-Larcker’s criterion. The third discriminant validity method added to the literature by Henseler (2015) is the HTMT criterion. In simpler terms, it helps us make sure that the measures we're using are truly distinct from one another. HTMT coefficients should be less than 0.90 for similar constructs and less than 0.85 for different constructs (Henseler et al., 2015).

codes	Price Fairness Perception	Inferred motives	Pain of Paying	Repurchase intention	Switching cost
fair1	**0,905**	0,447	-0,564	0,351	0,202
fair2	**0,902**	0,402	-0,517	0,382	0,214
fair3	**0,915**	0,459	-0,586	0,393	0,239
inf1	0,478	**0,814**	-0,472	0,284	0,130
inf2	0,335	**0,816**	-0,358	0,167	0,086
inf3	0,296	**0,705**	-0,345	0,156	0,085
inf4	0,366	**0,811**	-0,387	0,213	0,086
paino1r	-0,513	-0,498	**0,793**	-0,320	-0,108
paino2	-0,336	-0,272	**0,506**	-0,195	0,008
paino4r	-0,503	-0,378	**0,808**	-0,307	-0,145
paino5r	-0,419	-0,307	**0,761**	-0,233	-0,135
paino6	-0,375	-0,326	**0,589**	-0,208	0,026
paino8r	-0,476	-0,364	**0,816**	-0,274	-0,105
pur2	0,404	0,245	-0,342	**0,875**	0,416
pur3	0,356	0,242	-0,330	**0,903**	0,402
pur4	0,337	0,230	-0,288	**0,883**	0,433
sc1	0,189	0,106	-0,091	0,357	**0,676**
sc2	0,170	0,042	-0,072	0,304	**0,769**
sc4	0,193	0,118	-0,110	0,427	**0,825**
sc5	0,186	0,095	-0,088	0,361	**0,768**
sc6	0,183	0,113	-0,080	0,334	**0,794**

Table 14. Research Model Cross-loadings

Table 14. displays the cross loadings for the research model. Cross loadings represent the relationships between latent constructs and their respective observed indicators. It is evident from the table that each indicator primarily loads on its corresponding construct. For example, items associated with "Price Fairness Perception" exhibit high factor loadings on this construct (ranging from 0.902 to 0.915), indicating a strong relationship. Similarly, items related to "Inferred Motives" demonstrate substantial loadings on this construct (ranging from 0.705 to 0.816). Furthermore, indicators for "Pain of Paying," "Repurchase Intention," and "Switching Cost" also exhibit remarkable factor loadings (-0.564 to 0.793). These findings suggest that the indicators effectively measure their intended constructs, demonstrating the discriminant validity of the research model.

	Price_discrimination_2	Price_discrimination_3	Price_discrimination_4	Repurchase intention	Inferred motives	Pain of paying	Price fairness perception	Switching cost
Price_discrimination_2	**1**							
Price_discrimination_3	-0,333	**1**						
Price_discrimination_4	-0,341	-0,3	1					
Repurchase intention	-0,115	0,03	0,07	**0,89**				
Inferred motives	-0,178	-0	0,21	0,27	**0,79**			
Pain of paying	0,14	0,06	-0,22	-0,36	-0,5	**0,722**		
Price fairness perception	-0,091	0,01	0,11	0,41	0,48	-0,61	**0,91**	
Switching cost	-0,079	0,06	0,01	0,47	0,13	-0,12	0,24	**0,768**

Table 15. Fornell-Larcker Discriminant Validity

The table displays the Fornell & Larcker discriminant validity matrix. The analysis concentrates on unobservable variables and measurement errors. Challenges related to sample size, statistical power, and limitations in assessing explanatory power are addressed. To address these issues, Fornell & Larcker developed a testing system and constructed both the measurement and general models based on shared variance measures within the structural model (Fornell & Larcker, 1981). For each construct, the diagonal components (bold) show the square root of the Average Variation Extracted (AVE), which is a measure of the percentage of variation that the construct's indicators. Off-diagonal elements demonstrate how several constructions are correlated with one another. These correlations need to be less than the AVEs of each construct's square roots. To sum up, Table 15. verifies that the study model's constructs have acceptable discriminant validity. The statement implies that the metrics effectively identify unique characteristics of each construct.

	Price_discrimination_2	Price_discrimination_3	Price_discrimination_4	Repurchase intention	Inferred motives	Pain of paying	Price fairness perception	Switching cost	Switching cost x price_fairness_perception	Switching cost x Pain of paying
Price_discrimination_2	-									
Price_discrimination_3	0,333	-								
Price_discrimination_4	0,341	0,346	-							
Repurchase intention	0,123	0,033	0,071	-						
inferred_m	0,184	0,035	0,225	0,311	-					
Pain of paying	0,155	0,078	0,245	0,428	0,609	-				
price_fairness_perception	0,096	0,026	0,109	0,469	0,55	0,718	-			
Switching cost	0,087	0,067	0,021	0,55	0,15	0,163	0,279	-		
Switching cost x price_fairness_perception	0,02	0,01	0,002	0,169	0,033	0,046	0,057	0,09	-	
Switching cost x Pain of paying	0,018	0,004	0,032	0,111	0,096	0,038	0,017	0,06	0,673	

Table 16. HTMT Discriminant validity

The HTMT criterion assesses correlations both between structures and within the same structure at the same time. This is what distinguishes HTMT criterion from the Fornell & Larcker discriminant validity approach (Afthanorhan et al., 2021). Table 16. depicts correlations between various constructs and their interactions. Each cell indicates the strength of the relationship between the corresponding constructs. The HTMT values for all constructs are below 0.90. Therefore, it can be understood that all constructs meet the recommended discriminant validity criteria in the literature.

3.5. Research Model Testing

This section focuses on testing hypotheses in line with the research model. Figure 7. illustrates the structural equation model employed to evaluate the research hypotheses.

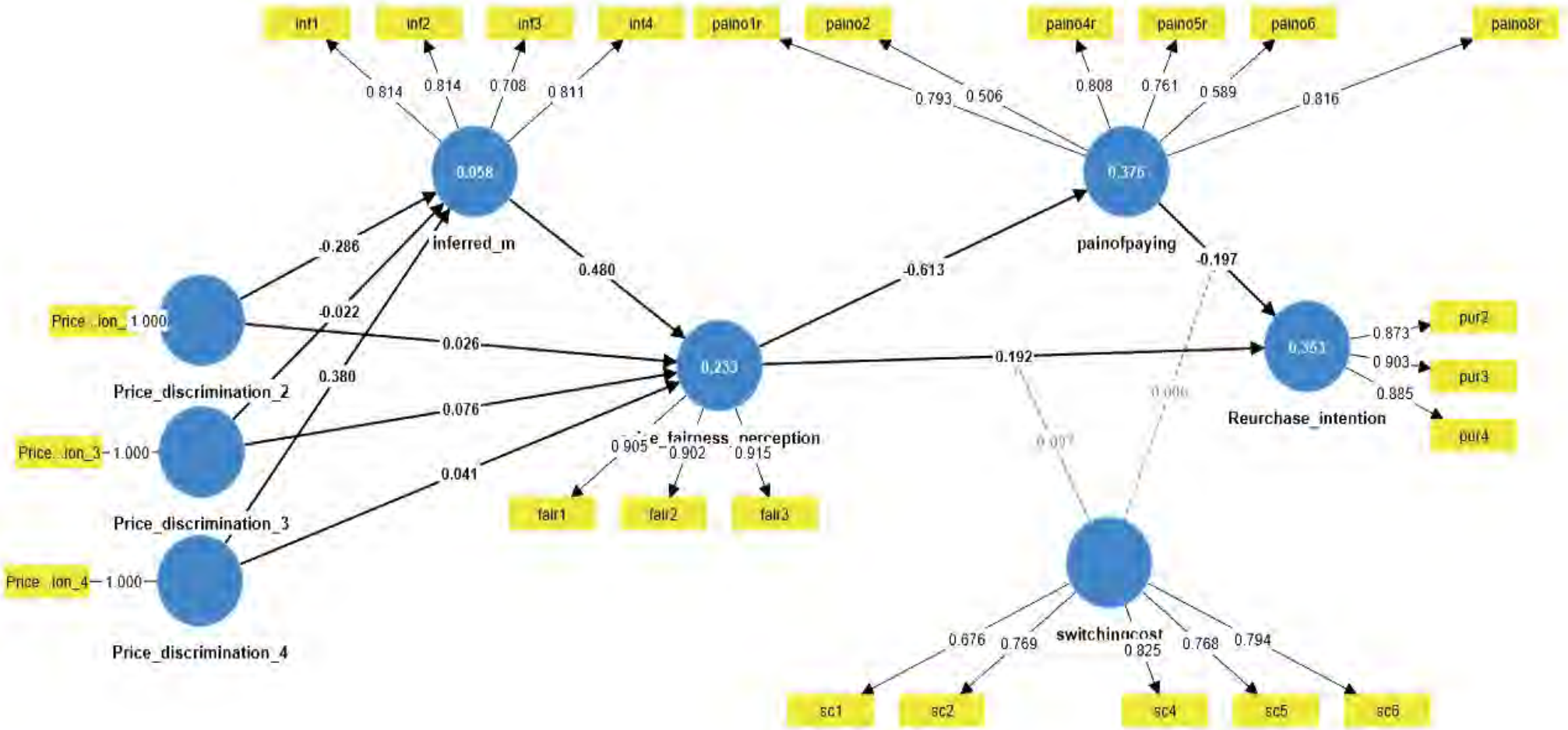

Figure 7. Structural equation model -Research Hypothesis Testing

PLS predict analysis was also performed to determine the predictive power (Q^2) for the research model used in the study. PLS method was used to obtain the linearity (R^2) coefficient. By bootstrapping 5000 subsamples from the sample, t values were computed to assess the significance of PLS path coefficients.

Items	Variable	VIF	R^2	Q^2
fair1	**Price Fairness**	2,605	0,233	0,003
fair2	**Perception**	2,657		
fair3		2,719		
inf1	**inferred**	1,547	0,058	0,05
inf2	**motive**	1,954		
inf3		1,666		
inf4		1,728		
paino1r		1,731	0,376	0,023
paino2		1,622		
paino4r		2,195		
paino5r	**Pain of Paying**	2,512		
paino6		1,709		
paino8r		2,651		
pur2		1,996	0,353	0,215
pur3	**Repurchase**	2,591		
pur4	**intention**	2,319		

Table 17. Research Model Coefficients

Coefficients are critical in understanding the strength and direction of relationships between constructs. The coefficients for the variables in the research model are shown in Table 17. The VIF coefficient is less than 5 according to the requirements provided in Table 12. As a result, it is possible to observe that there is no linearity problem between the variables.

R^2 explains the predictive accuracy of the model. As it is depicted in Table 17. Price fairness perception has low predictive power, inferred motive has low predictive power, pain of paying has moderate predictive strength, and repurchase intention has moderate level predictive power, according to a comparison of the acquired values with Table 12.

Exogenous factors in the study model have more predictive power than endogenous variables, according to the positive coefficients of predictive power found by the Q^2 analysis. For the construct "Price Fairness Perception," the Q^2 value is 0.003. This indicates a very low level of predictive power for this construct. The construct "Inferred Motive" has a Q^2 value of 0.05, which also indicates a relatively low level of predictive power. "Pain of Paying" shows a Q^2 value of 0.023, indicating a low level of predictive power. Finally, "Repurchase Intention" demonstrates a Q^2 value of 0.215, indicating a

moderate level of predictive power. Overall, the Q^2 values suggest that the model has varying levels of predictive power for different constructs, with "Repurchase Intention" showing the highest level of predictive relevance. This suggests a moderate level of predictive power and this model predicts 21.5% of repurchase intention.

	Saturated model	Estimated model
SRMR	0,063	0,099
d_ULS	1,193	2,911
d_G	0,368	0,653
Chi-square	1925,809	3759,467
NFI	0,802	0,613

Table 18. Quality criteria

The fit of the model improves as the NFI values approach 1. However, the best fit is considered to be above 0.9, while a value above 0.8 is still considered good. In terms of SRMR, a number less than 0.5 is considered very good, and less than 0.10 is considered acceptable (Schermelleh-Engel et al., 2003). The model's fit indices are shown by both the SRMR and NFI values in Table 18. NFI takes a value of 0.613, whereas SRMR takes a value of 0.099. The model fit is considered acceptable based on the fit values.

3.5.1. Hypotheses testing

In this section the model is evaluated, and the hypotheses are tested. Table 19. shows the direct effects observed in the measurement model developed for the Azerbaijan sample. The remainder of the table can be found in the appendices (See: Appendix 4).

Table 19 shows a linear relationship between customer characteristics-based price discrimination and price fairness perceptions (p=**0,008)**. In other words, customer characteristics-based price discrimination has a positive effect on price fairness perceptions (β=0,224; t=2,424). Consequently, customer-based price discrimination also has a linear effect on price fairness perceptions. No linear relationship was found between quantity-based price discrimination and perceived price fairness (β=-0,112; t=1,146; p=0.000), nor between location-based price discrimination and perceived price fairness (β=0,066; t=0,654; p=0.000).

Variables	Path Coefficients	Mean	Standard 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**
Customer characteristics-based price discrimination -> inferred motive	0,381	0,382	0,090	4,249	**0,000**
inferred motive -> Price Fairness Perception	0,481	0,482	0,031	15,630	**0,000**
Pain of paying -> Repurchase intention	-0,197	-0,197	0,041	4,855	0,000

Table 19. Total direct effects of price discrimination and inferred motive

The findings support sub-hypothesis H1d, but reject H1a, H1b, and H1c. The main hypothesis, H1, is partially supported. In addition, hypothesis H2, which deals with the effect of price discrimination on inferred motive, was partially accepted. While hypothesis H2d, one of the sub-hypotheses of this hypothesis, was accepted, the other hypotheses H2a, H2b, H2c were rejected.

In this situation, it is useful to highlight the mediating effect of the inferred motive as the main factor. This is because in Azerbaijan, individuals are not concerned about the advantage of the elderly in terms of social values and culture. As a result, the majority of the participants made positive inferences about the presented scenario.

Table 20 shows the direct effects of price fairness perception and pain of paying. The table reveals a positive linear relationship between price fairness perception and repurchase intention. As perceived price fairness increases, repurchase intention also increases (β=0,313; t=10,336; p=0.000). However, an increase in price fairness perception leads to a decrease in pain of paying (β=-0,613; t=25,246; p=0.000). In addition, an increase in the pain of paying has a negative effect on the repurchase intention (β=-0,197; t=4,855; p=0.000).

Variables	Path Coefficients	Mean	Standard deviation	t-value	p value
Price fairness perception -> Repurchase intention	0,313	0,313	0,030	10,336	0,000
Price fairness perception -> Pain of paying	-0,613	-0,614	0,024	25,246	0,000
Pain of paying -> Repurchase intention	-0,197	-0,197	0,041	4,855	0,000

Table 20. Total indirect effects of price fairness perception and pain of paying

Table 20. illustrates that, when consumers perceive unfair treatment, they feel more negatively about what they paid, which also negatively affects their intention to make repurchases or maintain a relationship with that firm. On the basis of these results, the hypotheses H4 and H6 are confirmed.

3.5.1.1. Mediation Analysis

In the literature review, studies were found on the effect of the consumer's inferred motive on perceptions of price fairness in cases where consumers feel unfairly treated due to price changes or increases (Joireman et al., 2013; Kukar-kinney & Monroe, 2011; Xia et al., 2004).

Since consumers may also feel unfairly treated in price discrimination, the inferred motive concept should mediate the relationship between price fairness perceptions and price discrimination. In addition, the price (un)fairness perception results in certain

emotional reactions in the consumers` minds (Bagozzi et al., 1999; Hegtvedt & Killian, 1999; Heussler et al., 2009; Xia et al., 2004). These emotional reactions include both positive and negative emotions, such as a sense of commitment or revenge(Xia et al., 2010).

Consequently, even if the consumer continues to purchase, there is a break at the emotional attachment point (Richins, 1997). At this stage, it is useful to have the concept pain of paying in the model. Table 21. displays total indirect effects results and path coefficients assessing the effects of independent factors in the study model on dependent variables.

Variables	Path Coefficients	Mean	Standard deviation	t-value	p value
Customer characteristics-based price -> Price fairness perception	0,183	0,184	0,045	4,076	**0,000**
Quantity-based price discrimination -> Price fairness perception	-0,139	-0,139	0,048	2,909	**0,002**
Location-based price discrimination -> Price fairness perception	-0,011	-0,011	0,047	0,230	0,409
Price fairness perception -> Repurchase intention	0,121	0,121	0,025	4,775	**0,000**

Table 21. Total indirect effects of price fairness perception and repurchase intention

Total indirect effects refer to the overall indirect influence of the independent variable on the dependent variable through all possible mediators (Preacher & Hayes, 2008).

Table 21 illustrates that the model is significant when using price discrimination based on consumer characteristics (β=0,183; t=4,076; p=0.000) and quantity-based price discrimination (β=-0,139; t=2,909; p=0.002), controlling for the effect of all mediating

variables between price discrimination and perceptions of price fairness. No significant relationship was found in the location-based price discrimination (p>0.05).

However, the precise mediation role of the mediator variables is explained by specific indirect effects (Preacher & Hayes, 2008).

Variables	Path Coefficients	Mean	Standard deviation	t-value	p value
Quantity-based price discrimination -> inferred motive -> Price fairness perception	-0,139	-0,139	0,048	2,909	**0,002**
Customer characteristics-based price -> inferred motive -> Price fairness perception -> Repurchase intention	0,035	0,035	0,011	3,082	**0,001**
Customer characteristics-based price discrimination-> inferred motive -> Price fairness perception	0,183	0,184	0,045	4,076	**0,000**
Customer characteristics-based price discrimination -> inferred motive -> Price fairness perception -> Pain of paying -> Repurchase intention	0,022	0,022	0,007	3,020	**0,001**

Table 22. Specific indirect effect results

To fulfill this condition, not only the mediating variable should influence the dependent variable, but also the independent variable should affect the mediating variable (Hayes,2022). As shown in Table 22, the impact of inferred motive on price fairness perception is significant (p=0.000), at the same time, pain of paying has impact on repurchase intention (p=0.000). Based on all findings, inferred motives mediate the relationship between customer characteristics-based price discrimination and price fairness perceptions, as well as pain of paying mediates the relationship between price fairness perception and repurchase intention. Thus, hypotheses H3 and H5 are also accepted.

3.5.1.2. Moderation Analysis

The moderating analysis aims to determine how switching costs affect the relationship between price fairness perceptions and repurchase intention, as well as the relationship between pain of paying and repurchase intention.

Variables	Path Coefficients	Mean	Standard deviation	t-value	p value
switchingcost -> Reurchase_intention	0,392	0,394	0,030	13,202	**0,000**
switchingcost x price_fairness_perception -> Reurchase_intention	-0,097	-0,099	0,039	2,489	**0,006**
switchingcost x painofpaying -> Reurchase_intention	0,006	0,003	0,044	0,127	0,450

Table 23. Moderation analysis

Table 23. displays that a positive relationship was observed between Switching Costs and Repurchase Intention ($\beta = 0.392$, $p < 0.001$). As Switching Costs increase, there is a corresponding increase in Repurchase Intention. A weak negative interaction effect was found between Switching Costs, Price Fairness Perception, and Repurchase Intention ($\beta = -0.097$, $p = 0.006$). This suggests that as the interaction between Switching Costs and Price Fairness Perception increases, there is a slight decrease in Repurchase Intention.

A very weak positive interaction effect was observed between Switching Costs, Pain of Paying, and Repurchase Intention ($\beta = 0.006$, $p = 0.450$). This indicates that as the interaction between Switching Costs and Pain of Paying increases, there is a minor increase in Repurchase Intention. However, this effect is not statistically significant.

Simple slope analysis visualizes the moderation relationship. As shown in Figure 8, the relationship between price fairness perception and repurchase intention is displayed at three levels. These levels are lower, medium, and higher.

- Blue (middle line): the correlation between customers' price fairness perception and their repurchase intention with the average moderation of switching costs.
- Green Line (+1SD): the correlation between customers' price fairness perception and their repurchase intention with the higher moderation of switching costs.
- Red (-1SD): the correlation between customers' price fairness perception and their repurchase intention with the lower moderation of switching costs.

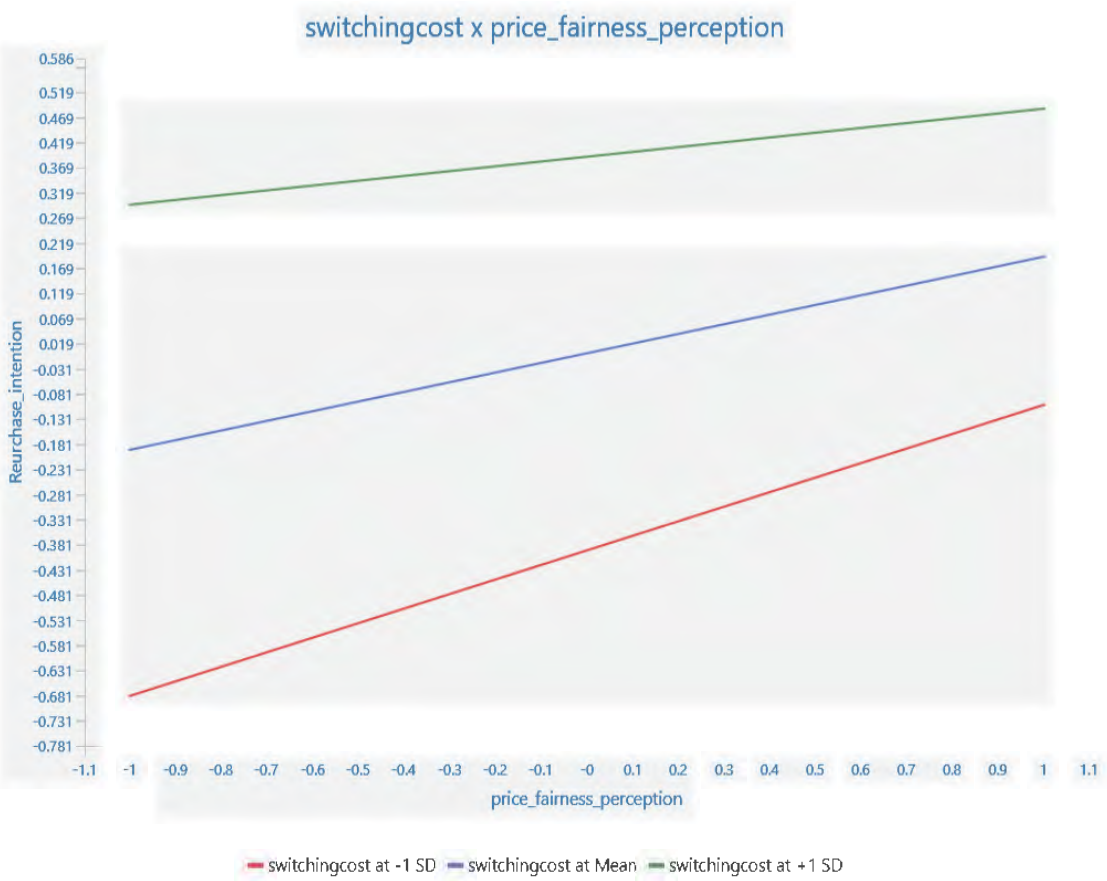

Figure 8. Simple Slope Analysis for Price Fairness and Repurchase intention

The findings demonstrate a noticeable interaction effect between switching costs, price fairness perception, and their influence on repurchase intention. When switching costs are high (i.e., +1 standard deviation above the mean, indicated by the green line), the relationship weakens, as seen in the flatter trend. Conversely, lower switching costs (i.e., -1 standard deviation below the mean, represented by the red line) lead to a more prominent association, shown by a steeper incline. This highlights the increased impact of price fairness perception on repurchase intention for customers with lower switching costs, compared to those with higher switching costs. Consequently, hypothesis H7 was accepted.

In a scenario where the three lines representing the interactions exhibit parallelism, it implies a lack of statistically significant interaction effects. This observation indicates that the relationship between switching costs and repurchase intention remains consistent across different levels of pain of paying.

This suggests that variations in the experience of pain of paying do not substantially alter the established association between switching costs and repurchase intention.

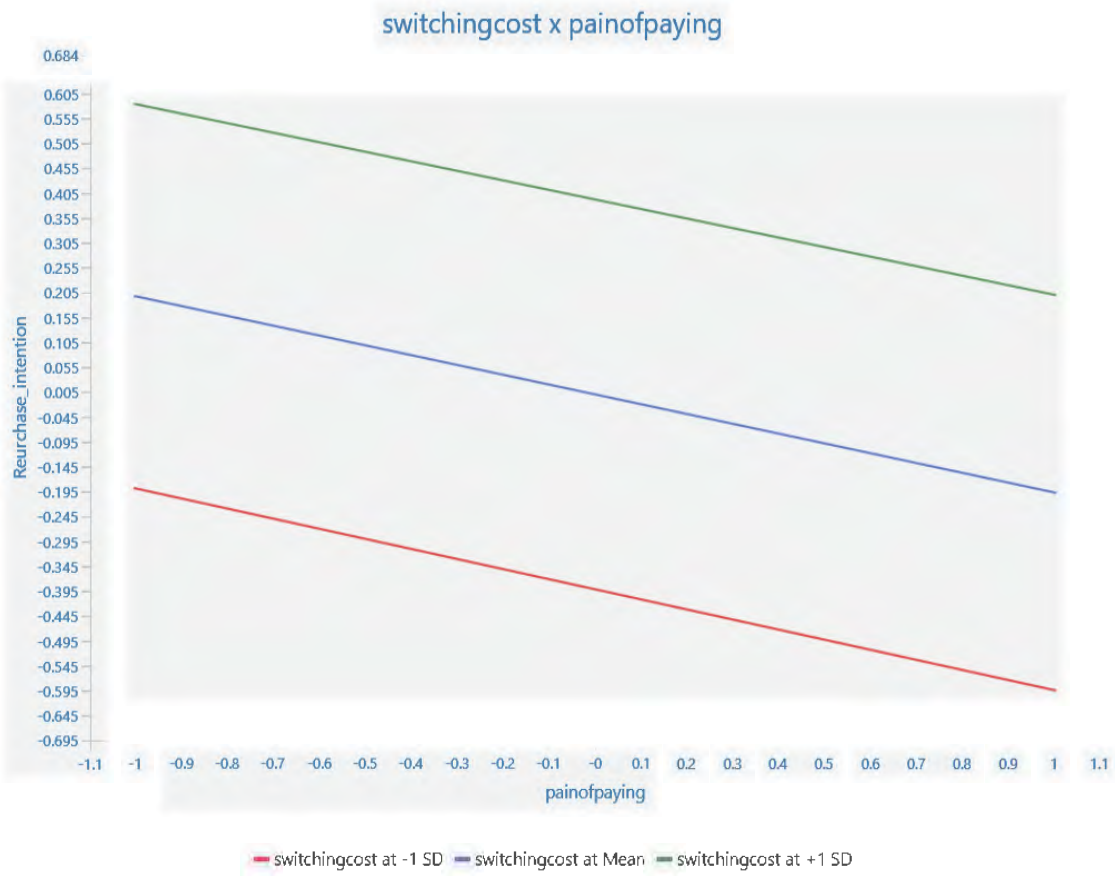

Figure 9. Simple Slope Analysis for Pain of Paying and Repurchase intention

On the basis of the results, it can be concluded that the switching costs do not moderate the relationship between the price fairness perception and repurchase intention. Based on the findings, hypothesis H8 is rejected.

Figure 10. shows the final structure of the model after all analyses have been performed. The result of the investigations and measurements is shown in Table 24. The study examined the influence of different practices of price discrimination on consumer perceptions, emotions, and behaviors. The study found that price discrimination affects customers' price fairness perceptions. Customer characteristics-based price discrimination was found to have a positive effect on perceptions, while quantity-based discrimination, and location-based price discrimination did not show a significant effect.

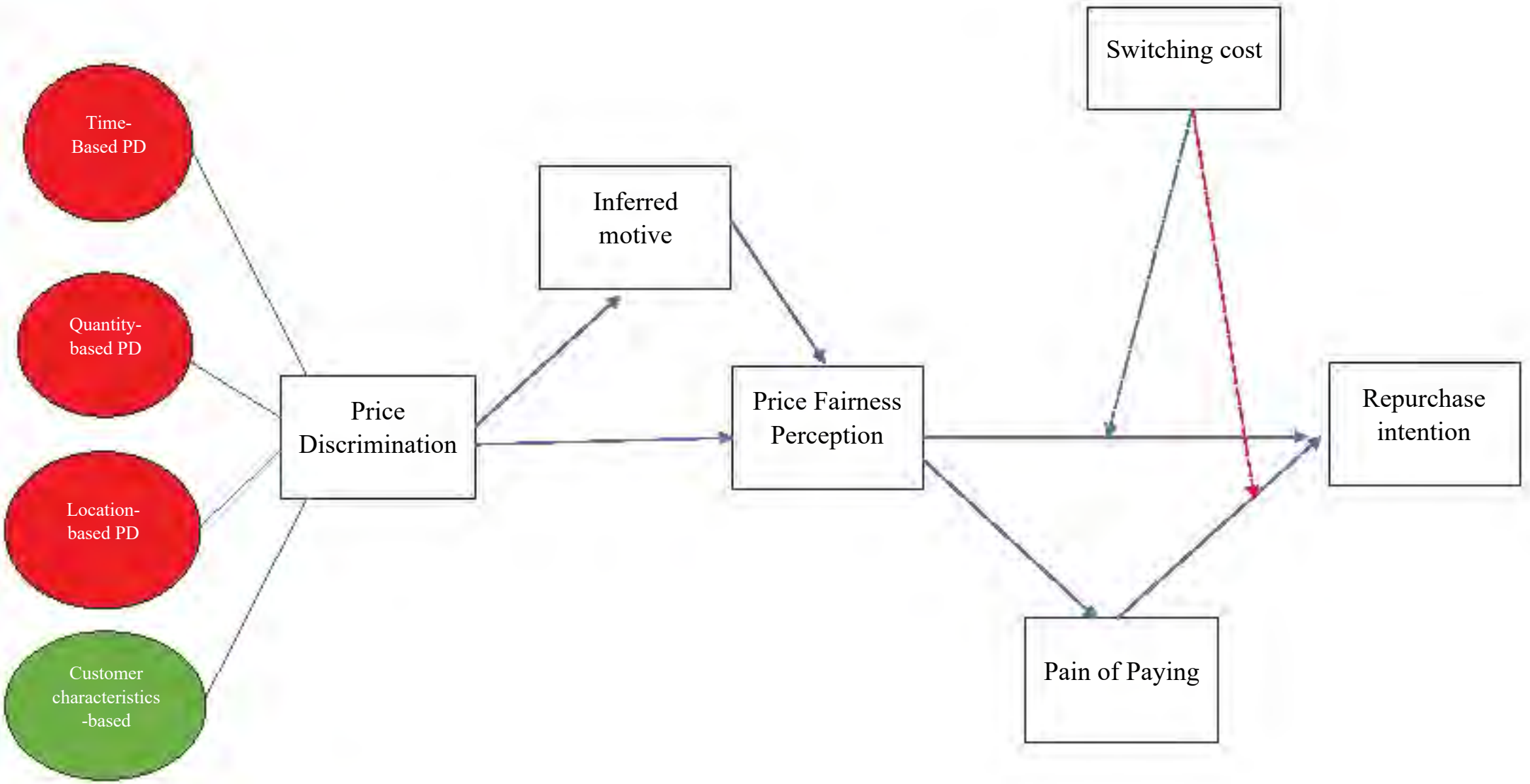

Figure 10. Revised model

The study found that price discrimination affects inferred motives, with both quantity-based and customer characteristic-based discrimination having a positive effect. However, location-based discrimination did not show a significant impact. Inferred motive plays a mediating role between price discrimination and consumers' price fairness perception, suggesting that it influences how consumers perceive prices. Furthermore, Price fairness perceptions have a direct impact on repurchase intention, highlighting its influence on consumer behavior. Furthermore, it was found to affect the emotional aspect of payment, known as the pain of paying, which in turn influenced repurchase intention.

Hypothesis		Result
H1	Price discrimination has a significant effect on the price fairness perception.	**Partially Supported**
$H1_a$	Time-based price discrimination has a significant effect on the price fairness perception.	Rejected
$H1_b$	Quantity-based price discrimination has a significant effect on the price fairness perception.	Rejected
$H1_c$	Location-based price discrimination has a significant effect on the price fairness perception.	Rejected
$H1_d$	Customer characteristics-based price discrimination has a significant effect on the price fairness perception	**Supported**
H2	Price discrimination has a significant effect on consumers' inferred motive.	**Partially Supported**
H3	Inferred motive mediates the relationship between price discrimination and price fairness perception.	**Supported**
H4	Price fairness perception has a significant effect on the pain of paying.	**Supported**
H5	Pain of paying mediates the relationship between price fairness perception and repurchase intention	**Supported**
H6	Price fairness perception has a significant effect on the repurchase intention.	**Supported**
H7	Switching costs moderates the relationship between price fairness perception and repurchase intention	**Supported**
H8	Switching costs moderates the relationship between pain of paying and repurchase intention	**Rejected**
H9	Consumers' price fairness perception and repurchase intention vary according to price discrimination methods; namely, time-based, quantity-based, location-based and customer characteristics-based price discriminations.	**Supported**

Table 24. Hypotheses Results

The study examined the relationships among price fairness perception, pain of paying, and switching costs, and their impact on repurchase intention. It was found that the pain of paying mediates the relationship between price fairness perception and repurchase intention, indicating that the emotional aspect of making a purchase significantly influences consumers' likelihood to repurchase.

Furthermore, switching costs were identified as a moderator in the relationship between price fairness perception and repurchase intention. This highlights that the influence of price fairness perception on repurchase intention varies depending on the level of switching costs. However, it was determined that switching costs do not moderate the relationship between the pain of paying and repurchase intention. This suggests that the impact of the emotional experience of payment on repurchase intention remains consistent regardless of switching costs. These findings offer valuable insights into the factors that mold consumer behavior in the realm of pricing strategies, underscoring the pivotal roles of emotional experiences, and switching costs in shaping repurchase intention.

3.3. DISCUSSION AND CONCLUSION

Pricing, while often neglected compared to other marketing mix elements, holds significant weight as the revenue engine and a strategic communication tool (Monroe, 1973). Moreover, a significant number of companies in Azerbaijan engage in a price-driven competition. If the sole criterion was price, individuals would select the cheapest option, and all things would be created and sold at the lowest possible cost. So, what is the primary motivator that pushes a buyer to spend more for a product today? What steps should businesses take when faced with varying willingness-to-pay from different consumers for the same product? Is it advisable for the company to implement differential pricing strategies for different customers? How might this impact consumers' future interactions with the company? What type of reasons could be provided to customers regarding this approach? Within the scope of these questions, research was done, and results were acquired and reported.

Price discrimination is prevalent in the Azerbaijani market, with four specific categories being commonly employed. The airline industry often uses time-based price discrimination, while quantity-based price discrimination is prevalent in retail trade. Location-based price discrimination is a common practice in the trade sector, while

customer characteristics-based price discrimination is widely used in the GSM operators' market.

This study focused on how price discrimination influences consumers` perception, emotion, and behaviors. The study also investigated the role of switching costs in shaping repurchase behavior. To answer these questions and achieve the research goal, the impact of 4 price discrimination practices on consumers' perceptions, emotions, and behavior was studied.

In this academic study, customer characteristics-based price discrimination, one of the price discrimination types, affects the perception of price fairness. Pain of paying concept mediates between price fairness perception and repurchase intention. While switching cost does not have a moderating effect on the relationship between pain of paying and repurchase intention, it has a moderating role in the relationship between price fairness perception and repurchase intention.

The rationale behind selecting the GSM operators' market for this study lies in the comprehensive implementation of all four types of price discrimination practices within this sector. Additionally, the market exhibits a more oligopolistic structure, with companies in the industry demonstrating leadership in technological advancements through substantial investments. In contrast to the existing literature, this study distinguishes itself by simultaneously examining four distinct practices of price discrimination. Specifically, in the context of time-based price discrimination, the analysis focuses on variations in pricing between day and night usage of the GSM operator's service, as opposed to evaluating price discrimination across two widely separated time intervals (Dai, 2010).

A one-group post-test quasi-experiment involving 866 participants assessed the impact of these practices on perceptions, emotions, and behavior through four separate surveys. It is noteworthy that a total of 11 surveys were found to be either incomplete or inaccurately filled out. Data analysis utilized SmartPLS 4.0 for model testing and IBM SPSS 27.0 for other analyses, with price discrimination types treated as dummy variables to avoid singularity issues. In this case, time-based price discrimination was used as a reference to avoid the singular matrix problem.

The relationship between price discrimination and price fairness perception has previously been emphasized in the literature. This study suggests that uniform pricing

would be more successful (Choi & Mattila, 2009). However, with the development of digitalization, channel-based price discrimination has become widespread. And the price fairness perception has changed as consumers have become more educated about the concept. Consumers now believed that the product sold on the digital platform should be less expensive than the product sold in the physical store (Vogel & Paul, 2015).

This study analyzed the effect of price discrimination on price fairness perceptions, the impact of different applications of price discrimination on customers` perception, emotion, and behavior.

The price fairness perception triggers emotional responses and influences behavior (Kahneman et al., 1986; Xia et al., 2004), leading to debate on the consumer benefits or harms of pricing differences (O'Neill & Lambert, 2001). Studies on emotions and inequality further add fuel to this discussion (Sprecher, 1986; Wright et al., 1990).

One of the findings of the study is that customer characteristics-based price discrimination among price discrimination practices affects consumer behavior, perception, and emotions. While affecting perceptions, emotions, and behavior the most, this practice exhibits a negative correlation when underlying motivations are considered. Notably, the elderly, not young individuals, receive preferential treatment, contradicting existing literature (Ericson & Starc, 2015; McAfee, 2008).

The positive correlation is due to the cultural framework of Azerbaijan, contrary to what is expected in the existing literature. This positive correlation with price fairness stems from cultural factors, as evidenced by survey responses showing both young and old populations perceive the situation as fair, acknowledging that the elderly hold an advantageous position. On the other hand, there are some specific cases where young people take advantage of this situation and use their grandparents' lines themselves.

On the other hand, in some studies, consumers' opinions about the effect of price discrimination on the price fairness perceptions are influenced by how the price difference is presented (Fassnacht & Unterhuber, 2016). The result of the presentation is how consumers infer the motivation of the company as a result of the communication activity. In the literature, the inferred motives play a role in the effect of price increases on the perception of the fairness of prices (Campbell, 1999a; Xia et al., 2004). Therefore, because of the possibility of blaming the company and the consumer's perception of unfairness, inferential motive is used as a mediating variable in this study. The literature

emphasizes that consumers make positive or negative inferences about price changes depending on the explanation given (Campbell, 1999; Gasiorek & Giles, 2015; Joireman et al., 2013). This study found that positive inferences are generally made due to cultural factors.

The effects of the price fairness perception on consumer behavior and emotional state have been discussed extensively before. In particular, the behavioral responses of consumers to consumers' perception of fairness in the face of price change were examined. Paul and Vogel (2015) found a direct impact on customer retention, while Reinartz et al. (2017) confirmed this idea by examining different behavioral responses in different scenarios. The results of the study show that there is a relationship between perceived price fairness and repurchase intention. This is consistent with previous studies.

The study found that the price fairness perception affects the pain of paying. In spite of the negative direction of the relationship, there is a significant correlation between two variables. These results are in line with previous findings. It is also worth emphasizing that pain of paying has a mediator effect on the relationship between price fairness perception and repurchase intention.

The study highlights the effect of switching costs on the relationship between price fairness perception and repurchase intention. As switching costs increase, the impact of perceived price fairness on repurchase intention becomes stronger. These findings are consistent with similar published studies (Blut et al., 2015; Zakiy, 2019)

3.3.1. Recommendations and Further directions

The findings presented in this dissertation pave the way for further exploration in diverse theoretical frameworks within academic research. Additionally, they offer practical guidance for private sector leaders seeking to optimize their managerial practices.

Firstly, it is worth noting that research can be conducted by implementing applications based on channel-based price discrimination within the scope of the study. On the other hand, price discrimination between old and new customers has been widely applied in recent years. In this case, there is a need for studies in this area. In addition, it is necessary to understand how consumer-facing applications such as coupons and promo codes will be received in the context of channel-based price discrimination.

As is evident from the findings of the study, there is a need for research that includes and considers culture as a variable. In addition, it is possible to understand the impact of culture by creating samples from different countries and conducting scenario-based cross-cultural comparisons.

Since this study was conducted in an oligopolistic market, consumer reluctance to switch may also be a factor. Therefore, there is a need for research into monopolistic competition markets. Moreover, there is a demand for inquiries extending beyond the GSM operators` sector. For instance, scrutinizing price discriminations among gasoline companies or retailer brands would be beneficial. Furthermore, research exploring consumer attitudes and behaviors towards price spread and price discrimination is crucial. Future research opportunities include pre- and post-testing of experiments, allowing for the exploration of diverse experimental designs within an academic framework.

These studies yield significant insights into the private sector. Regarding customer characteristics-based price discrimination cultural traditions play a pivotal role in shaping price fairness perception. Firms can effectively increase revenue by implementing price discrimination based on consumer characteristics, as customer attributes can influence both inferred firm motives and perceptions of fairness.

Switching costs are among the most influential tools firms can leverage to promote repeat purchases even when customers question price fairness. By increasing switching cost barriers, firms encourage customer retention through strategies such as enhancing unique features, amplifying product benefits and value propositions, and emphasizing the characteristics that differentiate their offerings. Implementing these methods effectively allows firms to build customer loyalty beyond just price considerations.

In conclusion, firms need to communicate with consumers to correctly guide their inferences about price discrimination and price changes. This communication should help consumers avoid negative emotions and inferences. As the findings suggest, positively guiding consumers' inferred firm motives can lead to a more positive perception of fairness. This, in turn, can lead to more positive consumer behavior.

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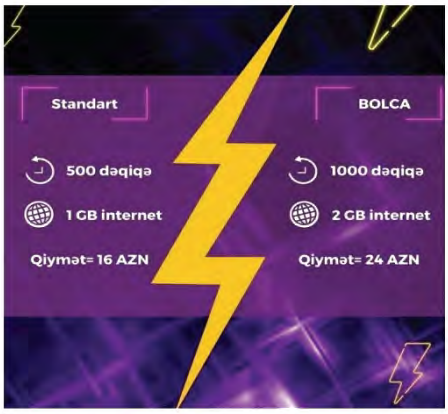
APPENDIX 1: Scenarios

"Please share your thoughts on your mobile operator's upcoming campaign outlined below.

Time-based Price discrimination Your attention has been drawn to an advertising campaign on social media. In this campaign, the prices from 00:00 in the evening until 08:00 in the morning are different from the prices at other times of the day.	**Quantity-based price discrimination** In the poster below, you saw your mobile operator's advertisement on social media. So, according to the company, those who use the "BOLCA" package pay AZN 24 for 1000 minutes and 2 GB of Internet, while those who use the "Standard" package pay AZN 16 for 500 minutes of calling and 1 GB of Internet. .
Location-based price discrimination Imagine that you come across the following advertisement from your favourite mobile operator on social media. You notice that there are price differences between Baku and the regions for the mobile operator you use.	**Customer characteristics-based price discrimination** In an advertising campaign on social media, you learn that your mobile phone operator of choice has launched a campaign with special tariffs for older people. Users aged 55 and over can join the "Always Young" campaign and get the service at a cheaper price.

APPENDIX 2: Posters

Time-based price discrimination



Quantity-based price discrimination

Location-based price discrimination

Customer charac.-based price discrimination

APPENDIX 3: Scales and measurements

ITEMS	Sources
The price of organic food is reasonable.	Konuk, F. A. (2019). The influence of perceived food quality, price fairness, perceived value and satisfaction on customers' revisit and word-of-mouth intentions towards organic food restaurants. *Journal of Retailing and Consumer Services*, *50*, 103-110.
Organic food price is fair	
Organic food price is acceptable.	
I will Buy this manufacturer's products again	Zeithaml, V. A., Berry, L. L., & Parasuraman, A. (1996). The behavioral consequences of service quality. *Journal of marketing*, *60*(2), 31-46.
I will Do business with this manufacturer in the future.	
I will Do more business with this manufacturer in the coming years.	
Switching to another online book vendor would be too expensive	Gefen, D. (2002). Customer Loyalty in E-Commerce. Journal of the Association for Information Systems, 3(1), 27–51.
Switching to another online book vendor would take too long	
Switching to another online book vendor would cause too many problems	
Switching to another online book vendor would require too much learning	
Switching to another online book vendor would require too much effort	
How do you feel when you're considering buying the chair and the couch after you received the message? (Item 1) 😊 ------ 😟 (Item 2-8) Pain/ Restricted/ Comfortable (R)/ Empowered (R)/ Irritated/ Annoyed/ Pleasant (R)	Xu, L. (2022). *Two Essays on the Effects of Behavioral Pricing on Consumer Decision Making* (Order No. 28963738). Available from ProQuest Dissertations & Theses Global. (2681057660). https://www.proquest.com/dissertations-theses/two-essays-on-effects-behavioral-pricing-consumer/docview/2681057660/se-2
. . .had good intentions (1) – . . .had bad intentions (7)	Joireman, J., Grégoire, Y., Devezer, B., & Tripp, T. M. (2013). When do customers offer firms a "second chance" following a double deviation? The impact of inferred firm motives on customer revenge and reconciliation. *Journal of Retailing*, *89*(3), 315-337.
. . . did not intend to take advantage of me (1) – intended to take advantage of me (7).	
. . . was primarily motivated by my interest (1) – . . . its own interest (7	
. . did not try to abuse me (1) – . . .tried to abuse me (7).	

APPENDIX 4a: Total Direct Effects

Variables	Path Coefficients	Mean	Standard deviation	t-value	p value
Quantity-based price discrimination -> Price Fairness Perception	-0,112	-0,110	0,097	1,146	**0,126**
Quantity-based price discrimination -> inferred motive	-0,289	-0,289	0,096	2,997	**0,001**
Location Based Price discrimination-> inferred motive	-0,022	-0,023	0,097	0,231	**0,409**
Location Based Price discrimination -> Price Fairness Perception	0,066	0,066	0,100	0,654	**0,257**
inferred motive -> Price Fairness Perception	0.481	0,482	0,031	15,630	**0,000**
Customer characteristics-based price discrimination -> inferred motive	0,381	0,382	0,090	4,249	**0,000**
Customer characteristics-based price discrimination -> Price Fairness Perception	0,224	0,224	0,092	2,424	**0,008**
Price fairness perception -> Repurchase intention	0,313	0,313	0,030	10,336	0,000
Price fairness perception -> Pain of paying	-0,613	-0,614	0,024	25,246	0,000
Pain of paying -> Repurchase intention	-0,197	-0,197	0,041	4,855	0,000

APPENDIX 4b. Total indirect effects

Variables	Path coefficients	Mean	Standard deviation	t-value	p value
Quantity-based price discrimination -> Repurchase intention	-0,035	-0,035	0,031	1,130	**0,129**
Quantity-based price discrimination -> Pain of Paying	0,069	0,068	0,060	1,138	**0,128**
Quantity-based price discrimination -> Price fairness perception	-0,139	-0,139	0,048	2,909	**0,002**
Location-based price discrimination -> Repurchase intention	0,021	0,021	0,032	0,650	**0,258**
Location-based price discrimination -> Pain of paying	-0,040	-0,040	0,062	0,653	**0,257**
Location-based price discrimination -> Price fairness perception	-0,011	-0,011	0,047	0,230	**0,409**
Customer characteristics-based price discrimination -> Repurchase intention	0,070	0,070	0,030	2,338	**0,010**
Customer characteristics-based price -> Pain of paying	-0,137	-0,138	0,057	2,391	**0,008**
Customer characteristics-based price -> Price fairness perception	0,183	0,184	0,045	4,076	**0,000**
Inferred motive -> Repurchase intention	0,150	0,151	0,018	8,168	**0,000**
Inferred motive -> Pain of paying	-0,295	-0,296	0,024	12,102	**0,000**
Price fairness perception -> Repurchase intention	0,121	0,121	0,025	4,775	**0,000**

APPENDIX 4c. Specific indirect effects

Variables	Path coefficients	Mean	Standard deviation	t-value	p value
Quantity-based price discrimination -> inferred motive -> Price fairness perception	-0,139	-0,139	0,048	2,909	**0,002**
Quantity-based price discrimination -> Price fairness perception -> Repurchase intention	0,005	0,006	0,017	0,303	0,381
Quantity-based price discrimination -> inferred motive -> Price fairness perception -> Pain of paying	0,085	0,086	0,030	2,854	**0,002**
Price fairness perception -> Pain of paying -> Repurchase intention	0,121	0,121	0,025	4,775	**0,000**
Quantity-based price discrimination -> Price fairness perception -> Pain of paying -> Repurchase intention	0,003	0,003	0,011	0,300	0,382
Customer characteristics-based price -> inferred motive -> Price fairness perception -> Pain of paying	-0,112	-0,113	0,028	4,017	**0,000**
inferred motive -> Price fairness perception -> Repurchase intention	0,092	0,092	0,020	4,577	**0,000**
Location-based price discrimination -> inferred motive -> Price fairness perception	-0,011	-0,011	0,047	0,230	**0,409**
Customer characteristics-based price -> Price fairness perception -> Repurchase intention	0,008	0,008	0,017	0,471	**0,319**
Location-based price discrimination -> Price fairness perception -> Repurchase intention	0,015	0,015	0,017	0,868	0,193
Location-based price discrimination -> Price fairness perception -> Pain of paying	-0,047	-0,047	0,052	0,899	**0,184**
inferred motive -> Price fairness perception -> Pain of paying -> Repurchase intention	0,058	0,058	0,013	4,485	**0,000**
Quantity-based price discrimination -> inferred motive -> Price fairness perception -> Repurchase intention	-0,027	-0,027	0,011	2,459	**0,007**
Customer characteristics-based price -> Price fairness perception -> Pain of paying -> Repurchase intention	0,005	0,005	0,010	0,471	0,319

APPENDIX 4c. Specific indirect effects (continue)

Variables	Path coefficients	Mean	Standard deviation	t-value	p value
Quantity-based price discrimination -> inferred motive -> Price fairness perception -> Pain of paying -> Repurchase intention	-0,017	-0,017	0,007	2,429	**0,008**
Location-based price discrimination -> inferred motive -> Price fairness perception -> Pain of paying	0,007	0,007	0,029	0,229	0,409
Location-based price discrimination -> inferred motive -> Price fairness perception -> Repurchase intention	-0,002	-0,002	0,009	0,224	0,412
Customer characteristics-based price -> Price fairness perception -> Pain of paying	-0,025	-0,025	0,052	0,481	0,315
Customer characteristics-based price -> inferred motive -> Price fairness perception	0,183	0,184	0,045	4,076	**0,000**
Customer characteristics-based price -> inferred motive -> Price fairness perception -> Repurchase intention	0,035	0,035	0,011	3,082	**0,001**
Customer characteristics-based price -> inferred motive -> Price fairness perception -> Pain of paying -> Repurchase intention	0,022	0,022	0,007	3,020	**0,001**
Location-based price discrimination -> inferred motive -> Price fairness perception -> Pain of paying -> Repurchase intention	-0,001	-0,001	0,006	0,226	0,411
inferred motive -> Price fairness perception -> Pain of paying	-0,295	-0,296	0,024	12,102	**0,000**
Location-based -> Price fairness perception -> Pain of paying -> Repurchase intention	0,009	0,009	0,011	0,875	0,191
Quantity-based price discrimination -> Price fairness perception -> Pain of paying	-0,017	-0,018	0,054	0,307	0,379

APPENDIX 5: Questionarie

Mobil operatorlar və qiymətləndirmə

Bu sorğu Anadolu Universiteti Biznesin İdarə Edilməsi ixtisası üzrə doktorantura təhsilini davam etdirən Qələndər Məmmədli tərəfindən aparılmaqdadır və məlumatlarınız heç bir ticari məqsəd üçün istifadə edilməyəcək.

İlk olaraq Sizə təqdim olunan ***Situasiyaları diqqətlə oxumağınızı və Siz bu situasiya ilə qarşılaşsanız hansı davranışı ortaya qoyacağınızı*** mövcud versiyalar çərçivəsində cavablandırmağınızı Sizdən xahiş edirik.

Sualları cavablamazdan əvvəl açıqlama hissəsini diqqətlə oxumağınızı rica edirəm.

Sorğuda iştirakınız və sualları diqqətlə cavablandırdığınız üçün əvvəlcədən təşəkkürlər

Hörmətlə,
Qələndər Məmmədli
E-mail: qelender.memmedli@gmail.com

Hansı mobil operatorun xidmətini *daha çox* istifadə edirsiniz?

- Azercell
- Bakcell
- NarMobile
- Digər

Belə bir kampaniyanı görsəniz nə fikirləşərdiniz? Zəhmət olmasa aşağıdakı ifadəyə münasibət bildirin.

	1	2	3	4	5	
Bu kampaniyada mobil operatorun niyyəti gözəldir	( )	( )	( )	( )	( )	Bu kampaniyada mobil operatorun niyyəti yaxşıdır

Belə bir kampaniyanı görsəniz nə fikirləşərdiniz? Zəhmət olmasa aşağıdakı ifadəyə münasibət bildirin.

	1	2	3	4	5	
Bu kampaniyada mobil operator məndən əlavə xeyir götürmək istəyir	( )	( )	( )	( )	( )	Bu kampaniyada mobil operator məndən əlavə xeyir gözləmir

Belə bir kampaniyanı görsəniz nə fikirləşərdiniz? Zəhmət olmasa aşağıdakı ifadəyə münasibət bildirin.

	1	2	3	4	5	
Bu kampaniyada mobil operator öz mənafeyini düşünür	( )	( )	( )	( )	( )	Bu kampaniyada mobil operator mənim mənafeyimi düşünür

Belə bir kampaniyanı görsəniz nə fikirləşərdiniz? Zəhmət olmasa aşağıdakı ifadəyə münasibət bildirin.

	1	2	3	4	5	
Mobil operator bu kampaniyada məndən sui-istifadə etməyə çalışır	( )	( )	( )	( )	( )	Mobil operator bu kampaniyada məndən sui-istifadə etməyə çalışmır

Zəhmət olmasa aşağıdakı cədvələ münasibət bildirin.

	1- Qətiyyən razı...	2- Razı deyiləm	3 – Qərarsızam	4- Razıyam	5- Tamamilə ra...
Modil operator .					
Modil Operator .					
Mobil Operator .					
Mobil operator .					

Siz olsanız Posteri gördükdən sonra öz mobil operatorunuzdan xidmət almaq üçün ödəniş edərkən necə hiss edərdiniz?

1	2	3	4	5	

Siz olsanız Posteri gördükdən sonra öz mobil operatorunuzdan xidmət almaq üçün ödəniş edərkən necə hiss edərdiniz? *

	1- Qətiyyən	2- Bir az	3- Müəyyən dər...	4-Xoşagələn dən...	5- Çox
Kədərli hiss ed...					
Qərəzsiz hiss ed...					
Rahat hiss edə...					
Daha da güclü ...					
Ürəkləndirmiş hiss...					
Ürəyim çırpardı					
Xoşbəxt hiss e...					

Zəhmət olmasa, mobil operatorunuzun yuxarıda təqdim olunan qiymət siyasətini nəzərə alaraq aşağıdakı fikirlərə münasibət bildirin.

	1- Qətiyyən razı...	2- Razı deyiləm	3-Qərarsızam	4-Razıyam	5-Tamamilə ra...
Bu qiymət siya...					
Seçdiyim mobil					
Rəqib mobil op					
istifadə etdiyi...					

Zəhmət olmasa mobil operatorun seçilməsi və mobil operatoru dəyişməyə dair aşağıdakı ifadələrə münasibət bildirin.

	1- Qətiyyən razı...	2- Razı deyiləm	3- Qərarsızam	4- Razıyam	5- Tamamilə ra...
Mənim üçün b...					
Əsasa mobil o...					
Mənim üçün b...					
Mənim üçün b...					
Mənim üçün b...					
Əsasa mobil o...					

Cins *

- Qadın
- Kişi

Yaşınız *

Yalnız rəqəmlərdən istifadə edin

Şəxsi gəliriniz *

- 500 AZN-ə qədər
- 501-1000 AZN
- 1001-1500 AZN
- 1501-2000 AZN
- 2001-2500 AZN
- 2500 AZN və yuxarı