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Existing customers' reaction to new customers' exclusive discount: The impact of strategies that reduce long-term but not short-term inequity

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ABSTRACT

Previous research suggests that new customers' exclusive discounts lead existing customers to a perception of price unfairness and thus negative behavioral intentions. This finding has raised widespread concern that such discounts may not be a sustainable marketing practice. Drawing on fairness research, this article argues that firms can effectively mitigate existing customers' adverse reaction by strategies that reduce long-term inequity but not short-term inequity. A series of experiments supports this argument, examines the robustness of such strategies, and investigates the underlying psychological mechanism. Overall, the findings suggest that when properly managed, new customers' exclusive discounts are a sustainable marketing practice.

Introduction

Exclusive discounts for new customers are a common marketing promotion. They are offered by various service providers (Del Rio Olivares et al., 2018) and retailers of physical goods (C. Campbell & Tarlton, 2022). The economic theory of price discrimination suggests that this practice maximizes profits as new customers typically have a lower willingness to pay than existing customers (Phillips, 2021). A stream of marketing research, however, has sought to understand how such discounts affect existing customers. Laboratory experiments repeatedly indicate that new customers' exclusive discounts lead existing customers to a perception of price unfairness and thus negative behavioral intentions toward the firm (e.g., L. E. Bolton et al., 2010; Feinberg et al., 2002; Fernandes & Calamote, 2016; Grewal et al., 2004; Huang et al., 2005; Pizzutti dos Santos & Basso, 2012; Tsai & Lee, 2007). Consequently, although such discounts aim to maximize profits through customer acquisition, they may actually undermine profits by triggering a perception of price unfairness among existing customers, who may thus reduce purchases or switch to a competitor (Feinberg et al., 2002).

The accumulated evidence of existing customers' adverse reaction has led to widespread concern in marketing literature that new customers' exclusive discounts may not be a sustainable marketing practice. This concern was originally raised by Feinberg et al. (2002). Subsequently, it has been echoed in the comments of other marketing scholars. For example, Huang et al. (2005) warn that implementing a pricing scheme that offers new customers an exclusive discount has very negative effects. Tsai and Lee (2007) recommend that exclusive discounts should not favor new customers but existing customers. Ashworth and McShane (2012) caution that status as a new customer may be a poor basis for a discount. Pizzutti dos Santos and Basso (2012) urge firms to consider the damage that new customers' exclusive discounts may do among existing customers in the long run. Fernandes and Calamote (2016) note, in turn, that such discounts may jeopardize the trust of both existing and new customers.

Although many studies have reported existing customers' adverse reaction, limited research exists on how to effectively mitigate this reaction and thereby render new customers' exclusive discounts a sustainable marketing practice. To address this research gap, the present article draws on fairness research to propose a theoretical framework for explaining how existing customers judge price fairness when new customers are offered an exclusive discount. The framework posits that existing customers judge price fairness by assessing long-term inequity rather than short-term inequity. The implication is that reducing existing customers' long-term inequity—even without reducing their short-term inequity—should provide firms with an effective

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means of enhancing existing customers' perceived price fairness and purchase intentions. Accordingly, this article examines the effects of strategies that reduce existing customers' long-term inequity without reducing their short-term inequity. One such strategy is to present the discount with an explicit first-purchase limitation. Another such strategy is to offer equivalent introductory pricing to all customers.

In summary, this article examines solutions to the widely recognized problem of existing customers' adverse reaction. The focus is on examining (i) the effects of an explicit first-purchase limitation on existing customers' perceived price fairness and purchase intentions, (ii) the effects of equivalent introductory pricing on existing customers' perceived price fairness and purchase intentions, (iii) the robustness of these effects to contextual variables, and (iv) the underlying psychological mechanism. This article first reviews the literature on targeted pricing and perceived price fairness, as well as previous research on how existing customers react to new customers' exclusive discount, and then develops the theoretical framework and research hypotheses. Study 1 examines the effects of an explicit first-purchase limitation. Study 2 examines the effects of equivalent introductory pricing. Both studies also examine the mediating role of perceived price consistency. Study 3 examines all these effects in the context of a different service type. A supplementary study reported in the online appendix examines the potential moderating role of discount level. The article concludes with a discussion of the theoretical and managerial implications of the findings.

Theoretical background

Targeted pricing

Targeted pricing is a practice in which a discount is offered to targeted customers but not to non-targeted customers (Xia & Monroe, 2017). For example, a firm may offer a discount to new customers but not to existing customers (Feinberg et al., 2002). Targeted pricing may provide firms with significant financial benefits. In particular, economic literature suggests that targeted pricing may substantially increase a firm's total profit because consumers differ in willingness to pay (Phillips, 2021). Moreover, behavioral price research has demonstrated that discount exclusivity may enhance targeted customers' deal evaluations (Barone & Roy, 2010a, 2010b; see also D. Bolton & Madhavaram, 2025).

However, behavioral price research has increasingly investigated how targeted pricing influences non-targeted customers (e.g., Ashworth & McShane, 2012; Darke & Dahl, 2003; Feinberg et al., 2002; Newman et al., 2019; Thompson et al., 2015; Xia & Monroe, 2017). An important conceptual argument underlying much of this research is that the inequity created by targeted pricing may lead non-targeted customers to a perception of price unfairness and consequently to negative behavioral responses toward the firm (e.g., Ashworth & McShane, 2012; Darke & Dahl, 2003; Feinberg et al., 2002). As this adverse reaction may undermine the financial benefits of targeted pricing, identifying strategies that mitigate non-targeted customers' perception of price unfairness—and thereby the consequent negative behavioral responses—is important to marketing researchers and managers (e.g., Weisstein et al., 2013).

Perceived price fairness

Price fairness research has established that perceived price fairness affects consumers' purchase behavior (for a review, see Xia et al., 2004; see also, e.g., L. E. Bolton et al., 2010; L. E. Bolton et al., 2003; M. C. Campbell, 1999; Kahneman et al., 1986a, 1986b; Kalyanaram & Winer, 2022). For example, increasing perceived price fairness increases purchase intentions (M. C. Campbell, 1999). This stream of research has also identified various factors that may affect perceived price fairness. Such factors include the magnitude of a price difference (e.g., Grewal et al., 2004), price framing (e.g., Rikala, 2022), transaction similarity (e.g., Haws & Bearden, 2006), inferences about the seller's profit (Kahneman et al., 1986a, 1986b), inferred motives of the seller (M. C. Campbell, 1999), attributions of cause and responsibility (Vaidyanathan & Aggarwal, 2003), culture (L. E. Bolton et al., 2010), and many others (see, e.g., Xia et al., 2004).

Formally, perceived price fairness refers to a consumer's assessment and associated emotions of whether the difference (or lack of difference) between a seller's price and the consumer's reference price is reasonable, acceptable, or justifiable (Xia et al., 2004, p. 3). If the seller's price is equal to the reference price, consumers tend to perceive it as fair. If the seller's price is higher than the reference price, consumers tend to perceive it as unfair unless mitigating factors exist (Xia et al., 2004). The reference price may reflect various types of prices, including past prices, competitors' prices, or other consumers' prices (L. E. Bolton et al., 2003). Perceived price unfairness is strongest when the reference price is the price paid by other consumers (Haws & Bearden, 2006). Therefore, identifying strategies that mitigate perceived price unfairness is particularly important in the context of targeted pricing, where consumers may notice others receiving exclusive discounts and thus comparatively lower prices.

Existing customers' reaction to new customers' exclusive discount

Many studies have examined how existing customers react to new customers' exclusive discount. The overwhelming majority of this research suggests that such a discount leads existing customers to a perception of price unfairness and consequently to negative behavioral intentions toward the firm. Feinberg et al. (2002) were the first to theorize that new customers' exclusive discounts elicit adverse responses from existing customers. Their laboratory experiment showed that when a firm offered an exclusive discount to other firms' customers (i.e., new customers), existing customers' preference for the firm decreased. Feinberg et al. described this finding as the "betrayal effect." Subsequently, laboratory experiments by Grewal et al. (2004) provided evidence that new customers' exclusive discounts lead existing customers to a perception of price unfairness and reduced repurchase intentions (see also Ashworth & McShane, 2012, Study 2; L. E. Bolton et al., 2010, Study 4; and Lii & Sy, 2009). Reinforcing the early findings, a survey by Huang et al. (2005) found that 84% of survey respondents ($N = 101$) perceived new customers' exclusive discount as unfair.

A laboratory experiment by Tsai and Lee (2007) extended previous research by showing that offering a larger discount to new customers than to existing customers led existing customers to a perception of unfairness and reduced purchase intentions (see also Fernandes & Calamote, 2016). A survey by Maxwell and Garbarino (2010) corroborated prior research by finding that consumers do not think it is fair to provide a lower price to new customers than to repeat customers. Laboratory experiments by Fassnacht and Mahadevan (2012) demonstrated, in turn, that increasing the size of new customers' exclusive discount increased existing customers' perception of price unfairness but that the effect was attenuated by low transaction similarity, high perceived motive fairness, and high trust in the firm. A laboratory experiment by Pizzutti dos Santos and Basso (2012) extended prior research by showing that new customers' exclusive discount led existing customers to a perception of price unfairness and consequently to increased switching intentions and negative word-of-mouth intentions.

Lhoest-Snoeck et al. (2014) examined an energy supplier and found, surprisingly, that existing customers' retention intentions were positively associated with their awareness of the firm's customer acquisition campaigns and the attractiveness of those campaigns. The authors proposed that superficial processing of advertising messages may have strengthened brand awareness and attitudes, thereby increasing retention intentions. Lastly, a survey by Gardner and Melancon (2023) found that when a university offered qualified incoming students (new customers) free tuition for all four years of college, current students (existing customers) perceived higher distributive justice if they had initially received a similar offer. They also found a positive relationship between loyalty and current students' perceived distributive justice.

Research hypotheses

Fairness research distinguishes between distributive and procedural justice (Lind, 2020). The former refers to the perceived fairness of an outcome allocation, and the latter refers to the perceived fairness of the procedures underlying the outcome allocation (Cropanzano & Ambrose, 2001). The present article focuses on distributive justice. Specifically, this research employs equity theory (Adams, 1963, 1965) as a theoretical lens to examine the effects of new customers' exclusive discounts on existing customers' perceived price fairness. Equity theory provides a useful theoretical basis for this purpose because the rule of equity is the dominant norm of distributive justice in economic exchange (Deutsch, 1975) and because equity theory is an influential theory of distributive justice that has been used widely in price fairness research (e.g., Ashworth & McShane, 2012; Lastner et al., 2019; Xia et al., 2004).

Equity theory

Equity theory (Adams, 1965) proposes that people judge fairness in exchange relationships by comparing their own ratio of outcomes and inputs to that of a comparative other party, such as another person. Outcomes refer to what each party receives from the exchange, and inputs refer to what they provide. In economic exchange, the outcomes include the products received, and the inputs include the prices paid (Martins & Monroe, 1994). Equity theory posits that equity exists when the two outcome-input ratios are perceived as equal, and inequity exists when the ratios are perceived as different (Adams, 1965). The theory suggests that people perceive equity as fair and inequity as unfair, and that there is a negative relationship between the magnitude of inequity and perceived fairness (Adams, 1965). Consistent with equity theory, price fairness literature suggests that there is a negative relationship between perceived inequity and perceived price fairness (Martins & Monroe, 1994; Xia et al., 2004).

At first glance, equity theory seems to suggest that new customers' exclusive discount inevitably leads existing customers to a perception of price unfairness. This is because the discount creates a situation where existing and new customers receive the same outcome (e.g., a service), but existing customers' input (a regular price) is higher than new customers' input (a discounted price). Therefore, existing customers should perceive an unfavorable difference between their and new customers' outcome-input ratios, and this inequity should lead them to a perception of price unfairness. If existing customers additionally perceived their loyalty as a relevant input in the assessment of equity, perceived inequity and thus perceived price unfairness should increase further (Huppertz et al., 1978). However, equity can be assessed from a short-term or a long-term perspective. Therefore, existing customers may not actually react to new customers' exclusive discounts in the manner assumed above.

Short-term and long-term equity

A critical aspect in applying equity theory is the time frame that people are assumed to adopt when judging fairness (Holmes, 1981; Yuki & Yamaguchi, 1996). If people judge fairness from a short-term perspective, they compare short-term outcome-input ratios that consider only present outcomes and inputs. Here, perceived fairness depends negatively on short-term inequity or the difference between the short-term outcome-input ratios. If people judge fairness from a long-term perspective, they compare long-term outcome-input ratios that consider not only present but also past and future outcomes and inputs. Here, perceived fairness depends negatively on long-term inequity or the difference between the long-term outcome-input ratios. Applying equity theory with different time frames may lead to different, even opposite, predictions (Holmes, 1981). To illustrate, if a person perceives short-term inequity but no long-term inequity, adopting a short-term time frame leads to a perception of unfairness, whereas adopting a long-term time frame leads to a perception of fairness.

This time frame dependency of perceived fairness raises a fundamental question: What time frame do existing customers adopt in the assessment of equity when new customers are offered an exclusive discount? In an assessment of short-term equity, existing customers would compare their and new customers' short-term outcome-input ratios, which consider both parties' present transactions only. In an assessment of long-term equity, existing customers would compare their and new customers' long-term outcome-input ratios, which consider the totality of past, present, and future transactions. These different time frames may lead to different perceptions of price fairness. A short-term assessment of equity should always lead to a perception of price unfairness because the discount always creates short-term inequity by reducing new customers' present price below existing customers' present price. A long-term assessment of equity, however, does not necessarily lead to a perception of price unfairness because the additional consideration of past and future prices may reduce or remove the difference between the outcome-input ratios.

Support for the assessment of long-term equity

The present article proposes that when new customers are offered an exclusive discount, existing customers assess equity from a long-term perspective. This proposition draws, for example, on Walster et al.'s (1978) definition that "equity theory deals with the reactions of observers or actual participants to equitable or inequitable *relationships*" (p. 202, emphasis in the original). This definition implies that people assess equity at the level of the relationship, or by considering all occasions of interaction that constitute the relationship, rather than at the level of a single occasion of interaction. Accordingly, existing customers may assess equity at the level of the exchange relationship—that is, from a long-term perspective—by focusing on long-term outcome-input ratios that consider past, present, and future transactions. This long-term perspective is also consistent with the literature on relational exchange, where Czepiel (1990) states that "In an exchange relationship, an individual exchange is viewed not so much as an entity unto itself as it is a continuation of a past series of exchanges likely to continue into the future. Each purchase decision looks not only at the immediate cost/benefit analysis but also at the past history of the relationship and the possible future as well" (p. 15).

The consideration of past information in equity assessments is mentioned in several sources. For example, common measures of equity ask study participants to retrospectively assess their and the comparison party's outcomes and inputs over an extended period of time (see Hatfield & Rapson, 2012). Thus, these measures consider not only present but also past outcomes and inputs. Olsen and Johnson (2003) criticize equity research in marketing by noting that "little attention has been paid to the entire history of shared interactions, which is critical to understanding intentions and future behavior" (p. 186). Gardner and Melancon (2023) argue that "in witnessing an injustice [. . .] consumers may consider an overall assessment of their

relationship and history of encounters with the organization" (p. 81). Xia (2016) argues that experiences from prior consumption episodes affect responses to price increases and that here "the assessments of input, output and equity are based on accumulated experiences over a long period of time rather than a one-time transaction" (p. 44).

The consideration of future information in equity assessments is proposed, for example, in Lind and Tyler's (1988) informed self-interest model. The model posits that people in ongoing exchange relationships assess the equitability (or generally, the favorability) of their present outcomes by considering both the present and future outcomes (Lind & Tyler, 1988). Thus, people may accept an inequitable (unfavorable) short-term outcome if they perceive their long-term outcomes as equitable (favorable) (e.g., Brockner & Wiesenfeld, 1996). This literature also suggests that an inequitable outcome triggers a sense-making activity in which people seek to make inferences about the equitability of their long-term outcomes (Brockner, 2010). During this process, people are susceptible to salient cues about long-term outcomes (Brockner & Wiesenfeld, 1996). The model has been used widely to explain why procedural fairness works: high procedural fairness acts as a cue that long-term outcomes are equitable, thereby increasing the acceptability of an inequitable present outcome (e.g., Brockner, 2010).

An evolutionary explanation for the assessment of long-term equity

The above discussion suggests that people in ongoing exchange relationships may judge the fairness of their present outcomes by assessing long-term equity. What explains this behavior? Animal research on responses to inequity suggests that it has evolutionary roots. Brosnan et al. (2006; see also Brosnan, 2010, 2011) found that in a multitrial experiment, monkeys evaluated their outcomes by assessing long-term rather than short-term equity. Accordingly, monkeys tended to stop cooperation when faced with long-term inequity, not short-term inequity. Brosnan (2010, 2011; see also Brosnan & de Waal, 2014) suggests that this behavior is evolutionarily advantageous as it enables monkeys to maintain cooperation in natural tasks, such as group hunting, that are beneficial but which may involve short-term inequity.

If monkeys assessed equity from a short-term perspective in such tasks, short-term inequity would stop their cooperation, and they would lose all the benefits that cooperation would offer them in the long run. More generally, assessing equity from a long-term rather than a short-term perspective makes individuals better off in the long run, as it enables them to maintain beneficial cooperative relationships that involve short-term but no long-term inequity. Thus, the long-term assessment of equity can ultimately be explained by self-interest: Monkeys and people may choose to do so because it benefits them in the long run.

Systematic versus heuristic assessment of long-term equity

How do people assess long-term equity in practice? Dual-process theories propose that people make assessments by processing information systematically or heuristically (e.g., Chaiken, 1980). Systematic processing refers to the analytic processing of all available information, whereas heuristic processing refers to the selective processing of easily accessible cues (Chaiken & Ledgerwood, 2012). Systematic processing is often more accurate, but it requires more cognitive effort. As people are cognitive misers much of the time (Fiske & Taylor, 2017), they rely on heuristic processing as the default mode (Chaiken & Ledgerwood, 2012). Systematic processing only occurs when people have the ability and motivation to engage in more extensive processing (Chaiken & Ledgerwood, 2012).

These findings support the possibility that people may not always assess long-term equity systematically by effortfully calculating and comparing the actual long-term outcome-input ratios. Instead, to save cognitive effort, people may often assess long-term equity heuristically by using easily accessible cues about the (in)equitability of their long-term outcomes (Brockner & Wiesenfeld, 1996). In doing so, they would still assess long-term inequity, which is defined as the difference between two long-term outcome-input ratios. However, they would assess the existence and magnitude of this difference by heuristic cues rather than by effortfully calculating and comparing the actual long-term outcome-input ratios. Such a heuristic mechanism enables various cues of long-term (in)equity to have an instant effect on perceived long-term inequity and thus perceived fairness. It also suggests that perceived long-term inequity and perceived fairness essentially depend on the extent to which such cues are accessible in the mind at the time of the assessment (Kahneman, 2003).

Summary of the theoretical framework

Based on the above theorization, this article posits a psychological mechanism to explain how existing customers judge price fairness when new customers are offered an exclusive discount. Specifically, existing customers are proposed to judge price fairness by assessing long-term inequity, which is defined as the difference between existing and new customers' long-term outcome-input ratios (Adams, 1965; Walster et al., 1978). There is a negative relationship between perceived long-term inequity and perceived price fairness (e.g., Martins & Monroe, 1994). The long-term outcome-input ratios consider past, present, and future outcomes and inputs. Consequently, perceived long-term inequity and thus perceived price fairness depend not only on present prices but also on past and expected future prices.

The assessment of long-term inequity may involve a systematic process in which existing customers calculate and compare the actual long-term outcome-input ratios or, perhaps more commonly, a heuristic process in which existing customers are susceptible to easily accessible cues about the (in)equitability of their long-term outcomes (Brockner & Wiesenfeld, 1996). The focus on long-term rather than short-term inequity can be attributed to self-interest, as it makes existing customers better off in the long run by enabling them to maintain beneficial exchange relationships that involve short-term but no long-term inequity (Brosnan, 2010). Using this theoretical framework, this article examines the effects of two strategies that reduce existing customers' long-term inequity without reducing their short-term inequity. The conceptual model is shown in Figure 1.

An explicit first-purchase limitation

The first examined strategy is to present new customers' exclusive discount with an explicit first-purchase limitation. Examining this strategy addresses an important research gap because the experimental scenarios of prior studies have presented new customers' exclusive discounts without an explicit first-purchase limitation (see Ashworth & McShane, 2012; L. E. Bolton et al., 2010; Fassnacht & Mahadevan, 2012; Feinberg et al., 2002; Fernandes & Calamote, 2016; Gardner & Melancon, 2023; Grewal et al., 2004; Huang et al., 2005; Lii & Sy, 2009; Pizzutti dos Santos & Basso, 2012; Tsai & Lee, 2007). For example, in Tsai and Lee's (2007) laboratory experiment, new customers received a 20% discount on the annual membership fee of a fitness center, but the scenario did not explicitly state that the discount is limited to the first purchase only. The offer led existing customers to a strong perception of unfairness and reduced purchase intentions. However, the question remains how existing customers react when such offers are presented with an explicit first-purchase limitation.

The proposed framework posits that existing customers judge price fairness by assessing long-term inequity. One antecedent of long-term inequity is the perceived difference

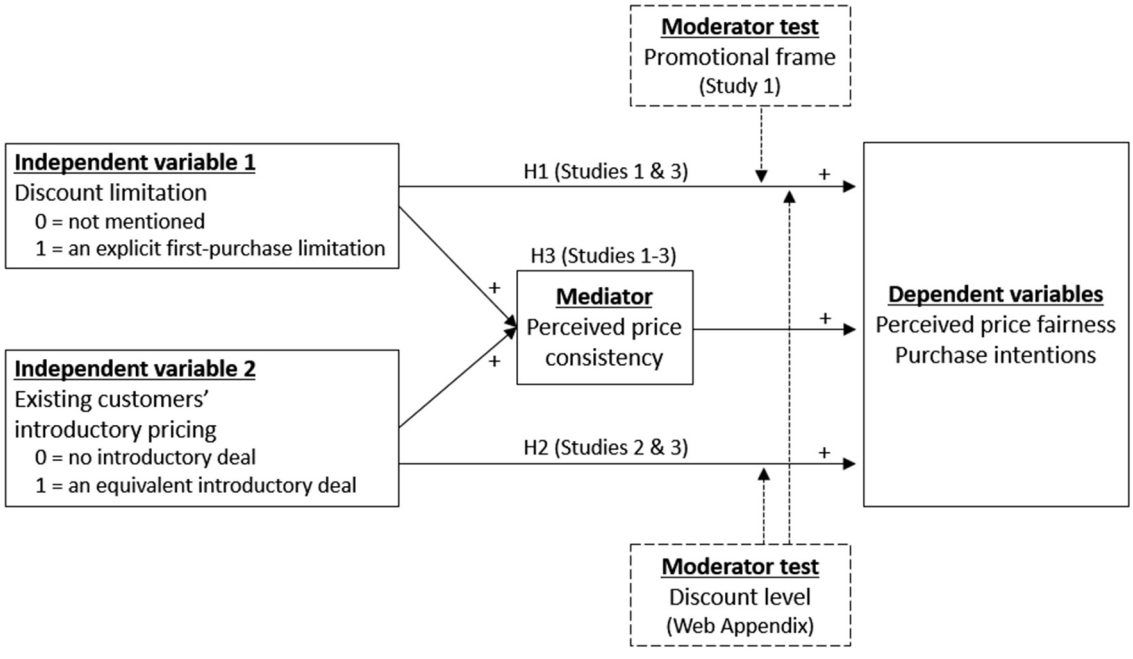

Figure 1. Conceptual model

between existing and new customers' future prices. If new customers' exclusive discount is presented with an explicit first-purchase limitation, existing customers can easily ascertain that their and new customers' future prices are equal. If no limitation is presented, existing customers may infer that the discount is ongoing by nature, meaning that new customers' future prices are comparatively lower (see, e.g., Pizzutti dos Santos & Basso, 2012). Thus, for existing customers, an explicit first-purchase limitation is a cue of future price equality. In the proposed framework, the presence (vs. absence) of such a cue of input equality reduces perceived long-term inequity, thereby increasing perceived price fairness, which in turn increases purchase intentions (M. C. Campbell, 1999). Accordingly, this research hypothesizes:

> H1: When a firm offers new customers an exclusive discount, existing customers' perceived price fairness and purchase intentions increase if the firm presents the discount with an explicit first-purchase limitation (vs. without mentioning any limitation).

The policy of equivalent introductory pricing

The second examined strategy is the policy of equivalent introductory pricing. This strategy refers to offering an equivalent introductory deal to all customers over time. It is based on the hypothesis that existing customers react more favorably to new customers' introductory deal if they perceive that they have received an equivalent introductory deal in the past. An "equivalent introductory deal" refers to a deal that existing customers perceive as exactly or effectively the same as the introductory deal currently offered to new customers.

Examining this hypothesis addresses an important research gap because it has not been studied previously (see Ashworth & McShane, 2012; L. E. Bolton et al., 2010; Fassnacht & Mahadevan, 2012; Feinberg et al., 2002; Fernandes & Calamote, 2016; Grewal et al., 2004; Huang et al., 2005; Lhoest-Snoeck et al., 2014; Lii & Sy, 2009; Maxwell & Garbarino, 2010; Pizzutti dos Santos & Basso, 2012; Tsai & Lee, 2007). Gardner and Melancon (2023) have examined the effects of an initially received deal on existing customers' responses, but their empirical study focused on a deal that provided a discount of 100% for all stages of the customer relationship. Thus, it was not an introductory deal that provides a discount only for the initial stage of the customer relationship. Therefore, the question remains how existing customers react to new customers' introductory deal when they perceive that they have received an equivalent introductory deal initially.

The proposed framework posits that existing customers judge price fairness by assessing long-term inequity. One antecedent of long-term inequity is the perceived difference between existing and new customers' initial prices. If a firm currently offers new customers an introductory deal and existing customers perceive that they have received an equivalent introductory deal in the past, existing customers will perceive their and new customers' initial prices as equal. However, if existing customers perceive that they have received no introductory deal in the past, they will perceive their initial price as higher than new customers' initial price. Thus, for existing customers, the perception that they have received an equivalent introductory deal in the past is a cue of the equality of the initial prices. In the proposed framework, the presence (vs. absence) of such a cue of input equality reduces perceived long-term inequity, thereby increasing perceived price fairness and subsequently purchase intentions (M. C. Campbell, 1999). Accordingly, this research hypothesizes:

> H2: When a firm offers new customers an introductory deal, existing customers' perceived price fairness and purchase intentions increase if they perceive that they have initially received an equivalent introductory deal (vs. no introductory deal).

The mediating role of perceived price consistency

In the proposed framework, existing customers judge price fairness by assessing long-term inequity. The strategies examined in H1 and H2 reduce long-term inequity by increasing the consistency of prices between existing and new customers in the long term. An explicit first-purchase limitation increases price consistency by aligning future prices, while the policy of equivalent introductory pricing increases price consistency by aligning initial prices. Accordingly, this research draws on consistency literature (e.g., Brannon et al., 2017) to introduce the concept of perceived price consistency—an antecedent of perceived long-term inequity—in order to provide a more detailed explanation of the underlying psychological mechanism. Perceived price consistency refers to the degree to which a firm's prices appear consistent between existing and new customers from a long-term perspective. This article proposes that perceived price consistency mediates the effects of price-related strategies, such as those studied in H1 and H2, on perceived price fairness. Specifically, this research hypothesizes:

> H3: Perceived price consistency mediates the effects proposed in H1 and H2, such that exposure to an explicit first-purchase limitation (vs. no limitation) and the perception of having initially received an equivalent introductory deal (vs. no introductory deal)

increase perceived price consistency, which in turn increases perceived price fairness.

Study 1: The effects of an explicit first-purchase limitation

The goal of Study 1 was to examine the effects of an explicit first-purchase limitation (H1) and the mediating role of perceived price consistency (H3). Three hundred U.S. consumers were recruited from Amazon Mechanical Turk (M = 40 years; 52% female).

Method

In the experiment, participants were existing customers of a fitness center that offered new customers an exclusive 20% discount. They were randomly assigned to a 2 × 2 between-subjects factorial design. The factors were discount limitation (not mentioned vs. first-purchase limitation) and promotional frame (net price frame vs. discount frame). A control condition without a discount was also included. Participants read the following scenario (with the differences shown in parentheses):

> Imagine that you are a member of a fitness center and that your membership is expiring soon. Today, the fitness center has sent you the following email: "You can renew the annual membership at a fee of $400." You learn that today this fitness center has also sent an email to your friend, who is not a member of this fitness center. The email states: ("New members get the membership at a fee of $320"/"New members get 20% off the $400 membership fee"). (The email clarifies that "After the first purchase of membership, you can renew the annual membership at a fee of $400."/–)

A fitness center membership and the 20% discount level were chosen as they have been used in previous research (e.g., Tsai & Lee, 2007). The typicality of the regular price was confirmed in a pre-study. The primary independent variable was discount limitation. It was manipulated by showing versus not showing the last sentence that presented the first-purchase limitation. Notably, when the limitation was not shown, the discount could have been either an ongoing discount or a limited discount that is presented without explicitly mentioning the limitation. Thus, the no-limitation condition in this and subsequent studies represented these two discount types. The secondary independent variable was promotional frame. It was included due to the possibility that presenting the offer as a discount rather than as a net price might increase perceived temporariness and thus reduce the effects of presenting a first-purchase limitation. To test this potential moderation effect, the offer was shown with a net price frame ("New members get the membership at a fee of $320.") or a discount frame ("New members get 20% off the $400 membership fee.").

After reading the scenario, participants responded to multi-item measures on a seven-point scale. Perceived price fairness was measured with three items: "My membership fee is (fair/acceptable/reasonable)" (1 = *strongly disagree*, 7 = *strongly agree*; adapted from Weisstein et al., 2013; α = .96). Purchase intentions were measured with three items: "The probability that I would consider renewing the membership again in this fitness center is . . .," "The likelihood that I would renew the membership again in this fitness center is . . .," and "The probability that I would buy the membership again in this fitness center is . . ." (1 = *very low*, 7 = *very high*; adapted from Grewal et al., 1998; α = .97). Perceived price consistency was measured with three items: "The fitness center sets prices in a consistent manner," "The fitness center's pricing is consistent," and "The fitness center's price setting is consistent" (1 = *strongly disagree*, 7 = *strongly agree*; adapted from Brannon et al., 2017; α = .98).

At the end, participants answered demographic questions, two manipulation check questions, and an attention check question. The manipulation check question for discount limitation was: "Did the e-mail to your friend include the following sentence: 'After the first purchase of membership, you can renew the annual membership at a fee of $400.'?" ("yes" or "no"). The manipulation check question for promotional frame was: "What was the offer to your friend?" ("a 20% discount," "a fee of $320," or "a fee of $400"). The attention check question was: "Which of the below options more accurately describes the scenario?" ("You were a member and your friend was not a member" or "Both you and your friend were members"; The first option was the correct answer).

Results

The manipulation of discount limitation was successful because 89.0% of participants correctly answered the manipulation check question ($\chi^2(1) = 155.30$, $p < .001$). Similarly, the manipulation of promotional frame was successful because 92.2% of participants correctly answered the manipulation check question ($\chi^2(1) = 181.28$, $p < .001$). The attention check question was correctly answered by 92.9% of participants ($\chi^2(1) = 188.08$, $p < .001$). The descriptive information of Study 1 is summarized in Table 1. Two-way ANOVAs on perceived price fairness and purchase intentions were conducted to test H1, and a mediation analysis using PROCESS (Hayes, 2018) was conducted to test H3.

Table 1. Descriptive information (Study 1)

	Discount limitation					
	Not mentioned			An explicit first-purchase limitation		
Promotional frame	Perceived price fairness	Purchase intentions	Perceived price consistency	Perceived price fairness	Purchase intentions	Perceived price consistency
Net price frame	2.69 (1.84)	2.74 (1.89)	2.61 (1.93)	4.05 (1.66)	3.77 (1.82)	4.09 (1.88)
Discount frame	2.89 (1.69)	2.82 (1.78)	3.04 (1.76)	4.26 (1.71)	3.86 (1.75)	4.66 (1.81)

Note: Figures represent cell means and standard deviations (in parentheses). The experiment also included a control condition where new customers received no discount: perceived price fairness 4.51 (1.91), purchase intentions 4.13 (1.88), and perceived price consistency 5.91 (1.34).

A 2 × 2 ANOVA on perceived price fairness showed a main effect of discount limitation ($F(1, 251) = 39.62$, $p < .001$, $\eta^2_p = 0.14$), such that presenting an explicit first-purchase limitation ($M = 4.15$, $SE = 0.15$) increased perceived price fairness compared with not presenting any limitation ($M = 2.79$, $SE = 0.15$), supporting H1 (Figure 2). The main effect of promotional frame was not significant ($F(1, 251) = 0.91$, $p = .34$; $M_{\text{Net price frame}} = 3.37$, $SE = 0.15$; $M_{\text{Discount frame}} = 3.57$, $SE = 0.16$). There was no interaction effect ($F(1, 251) = 0.002$, $p = .97$). Simple effects tests with Bonferroni adjustment confirmed that the limitation increased perceived price fairness both in the net price frame condition ($M_{\text{No limitation}} = 2.69$, $SD = 1.84$; $M_{\text{Limitation}} = 4.05$, $SD = 1.66$; $F(1, 251) = 21.28$, $p < .001$) and in the discount frame condition ($M_{\text{No limitation}} = 2.89$, $SD = 1.69$; $M_{\text{Limitation}} = 4.26$, $SD = 1.71$; $F(1, 251) = 18.56$, $p < .001$).

As a complementary analysis, perceived price fairness was further examined using one-sample *t*-tests, in which the mean of a research condition was compared to the scale midpoint of 4. This supplementary analysis is sometimes used in price fairness research (e.g., Tsai & Lee, 2007) to assess whether a mean represents a perception of price unfairness (the mean is significantly lower than 4), a perception of price neutrality (the mean does not significantly differ from 4), or a perception of price fairness (the mean significantly exceeds 4). One-sample *t*-tests revealed that when the limitation was not presented, the mean of perceived price fairness was significantly lower than the scale midpoint of 4 ($t(125) = -7.739$, $p < .001$), indicating a perception of price unfairness. However, when the limitation was presented, the mean of perceived price fairness did not significantly differ from the scale midpoint of 4 ($t(128) = 0.943$, $p = .35$), indicating a perception of price neutrality. Thus, these tests suggested that presenting the limitation eliminated the perception of price unfairness.

A 2 × 2 ANOVA on purchase intentions showed a main effect of discount limitation ($F(1, 251) = 20.75$,

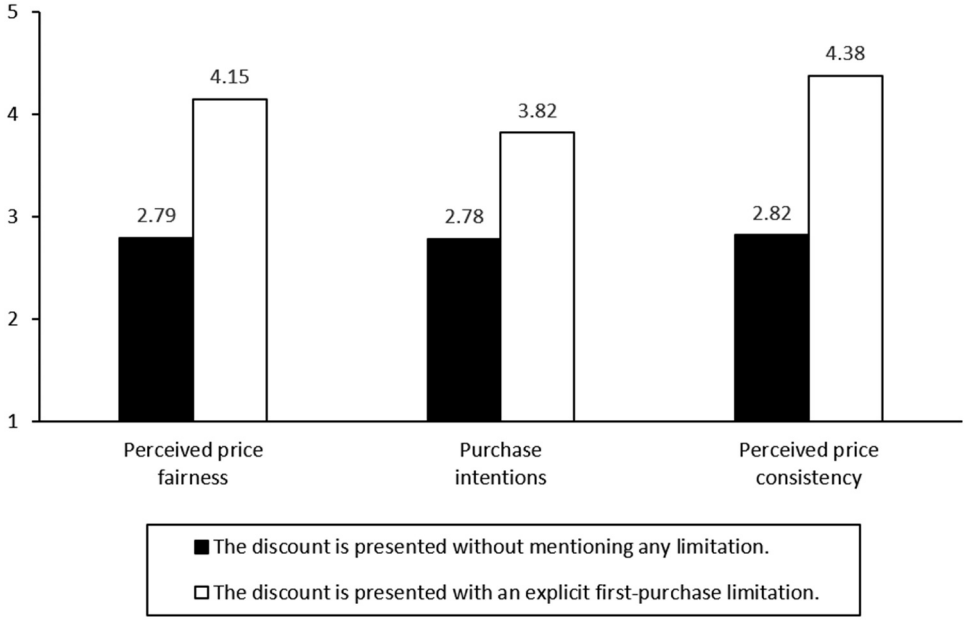

Figure 2. Existing customers' reactions to new customers' exclusive discount (Study 1)

$p < .001$, $\eta^2_p = 0.08$), such that presenting an explicit first-purchase limitation ($M = 3.82$, $SE = 0.16$) increased purchase intentions compared with not presenting any limitation ($M = 2.78$, $SE = 0.16$), supporting H1. The main effect of promotional frame was not significant ($F(1, 251) = 0.14$, $p = .71$; $M_{\text{Net price frame}} = 3.26$, $SE = 0.15$; $M_{\text{Discount frame}} = 3.34$, $SE = 0.17$). There was no interaction effect ($F(1, 251) = 0.001$, $p = .98$). Simple effects tests with Bonferroni adjustment confirmed that the limitation increased purchase intentions both in the net price frame condition ($M_{\text{No limitation}} = 2.74$, $SD = 1.89$; $M_{\text{Limitation}} = 3.77$, $SD = 1.82$; $F(1, 251) = 11.19$, $p < .002$) and in the discount frame condition ($M_{\text{No limitation}} = 2.82$, $SD = 1.78$; $M_{\text{Limitation}} = 3.86$, $SD = 1.75$; $F(1, 251) = 9.69$, $p = .004$).

A 2 × 2 ANOVA on perceived price consistency showed a main effect of discount limitation ($F(1, 251) = 44.62$, $p < .001$, $\eta^2_p = 0.15$), such that presenting an explicit first-purchase limitation ($M = 4.38$, $SE = 0.16$) increased perceived price consistency compared with not presenting any limitation ($M = 2.82$, $SE = 0.16$). The main effect of promotional frame was significant ($F(1, 251) = 4.64$, $p = .032$, $\eta^2_p = 0.02$), such that perceived price consistency was higher in the discount frame condition ($M = 3.85$, $SE = 0.17$) than in the net price frame condition ($M = 3.35$, $SE = 0.16$). There was no interaction effect ($F(1, 251) = 0.09$, $p = .77$). Simple effects tests with Bonferroni adjustment confirmed that the limitation increased perceived price consistency both in the net price frame condition ($M_{\text{No limitation}} = 2.61$, $SD = 1.93$; $M_{\text{Limitation}} = 4.09$, $SD = 1.88$; $F(1, 251) = 22.21$, $p < .001$) and in the discount frame condition ($M_{\text{No limitation}} = 3.04$, $SD = 1.76$; $M_{\text{Limitation}} = 4.66$, $SD = 1.81$; $F(1, 251) = 22.47$, $p < .001$).

A mediation analysis showed that the total effect of discount limitation on perceived price fairness was significant ($c = 1.36$, $SE = .22$, $t = 6.2853$, $p < .001$), but the direct effect was not ($c' = 0.28$, $SE = .15$, $t = 1.8349$, $p = .068$). Supporting H3, the indirect effect through perceived price consistency ($ab = 1.08$, $SE = .17$) had a 95% confidence interval (CI) that excluded zero (0.74, 1.42; based on 10,000 bootstrap samples). Both the effect of discount limitation on perceived price consistency ($a = 1.52$, $SE = .23$, $t = 6.5429$, $p < .001$), and the effect of perceived price consistency on perceived price fairness ($b = 0.71$, $SE = .04$, $t = 18.8511$, $p < .001$), were positive and significant.

Discussion

Study 1 yielded four key findings. First, it provided support for H1 by showing that an explicit first-purchase limitation increases existing customers' perceived price fairness and purchase intentions. Second, it demonstrated that these effects are robust to promotional frame. Third, it showed that the fairness effect was strong enough to eliminate existing customers' perception of price unfairness by leading them to a perception of price neutrality instead. Fourth, it provided support for H3 by demonstrating the mediating role of perceived price consistency.

Study 2: The effects of equivalent introductory pricing

The goal of Study 2 was to examine the effects of equivalent introductory pricing (H2) and the mediating role of perceived price consistency (H3). One hundred and twenty U.S. consumers were recruited from Amazon Mechanical Turk ($M = 42$ years; 53% female).

Method

In the experiment, participants were existing customers of a fitness center that offered new customers an exclusive 20% discount that was presented with an explicit first-purchase limitation. Participants were randomly assigned to a single-factor between-subjects design. The factor was existing customers' introductory pricing (no introductory deal vs. the same introductory deal that is currently offered to new customers). Participants read the following scenario (with the differences shown in parentheses):

> Imagine that you are a member of a fitness center and that your membership is expiring soon. Today, the fitness center has sent you the following email: "You can renew the annual membership at a fee of $400." You learn that today this fitness center has also sent an email to your friend, who is not a member of this fitness center. The email states: "New members get 20% off the $400 membership fee." The email clarifies that "After the first purchase of membership, you can renew the annual membership at a fee of $400." (The fitness center did not give any introductory offer to you when you joined the fitness center as a new member./The fitness center gave exactly the same introductory offer to you when you joined the fitness center as a new member.)

Participants responded to the same measures of perceived price fairness (α = 0.94), purchase intentions (α = 0.97), and perceived price consistency (α = 0.98) as in Study 1. At the end, they answered demographic questions, a manipulation check question, and an attention check question. The manipulation check question for existing customers' introductory pricing asked participants "Which of the below options more accurately describes the scenario?" and provided two options ("The fitness center had given you the same

introductory offer when you joined the fitness center as a new customer"; or "The fitness center had not given you any introductory offer when you joined the fitness center as a new customer."). The attention check question was the same as in Study 1.

Results

The manipulation of existing customers' introductory pricing was successful because 88.3% of participants correctly answered the manipulation check question ($\chi^2(1) = 70.53$, $p < .001$). The attention check question was correctly answered by 90.8% of participants ($\chi^2(1) = 80.03$, $p < .001$). The descriptive information of Study 2 is summarized in Table 2.

Independent-samples *t*-tests showed that having initially received the same introductory deal (vs. no introductory deal) increased perceived price fairness ($M_{\text{No introductory deal}} = 3.95$, $SD = 1.81$; $M_{\text{Same introductory deal}} = 4.91$, $SD = 1.50$; $t(112.609) = -3.168$, $p < .002$, $d = -0.58$) and purchase intentions ($M_{\text{No introductory deal}} = 3.63$, $SD = 1.86$; $M_{\text{Same introductory deal}} = 4.40$, $SD = 1.85$; $t(118) = -2.300$, $p = .023$, $d = -0.42$), supporting H2 (Figure 3). It also increased perceived price consistency ($M_{\text{No introductory deal}} = 3.75$, $SD = 1.84$; $M_{\text{Same introductory deal}} = 5.40$, $SD = 1.61$; $t(118) = -5.240$, $p < .001$, $d = -0.96$).

Perceived price fairness was further analyzed using one-sample *t*-tests, as in Study 1. One-sample *t*-tests revealed that when the existing customer had not received any introductory deal, the mean of perceived price fairness did not significantly differ from the scale midpoint of 4 ($t(58) = -0.216$, $p = .83$), indicating a perception of price neutrality. However, when the existing customer had initially received the same introductory deal, the mean of perceived price fairness was significantly higher than the scale midpoint of 4 ($t(60) = 4.750$, $p < .001$), indicating a perception of price fairness. Thus, these tests suggested that there was a change from a perception of price neutrality to a perception of price fairness.

A mediation analysis using PROCESS (Hayes, 2018) showed that the total effect of existing customers' introductory pricing on perceived price fairness was significant ($c = 0.96$, $SE = .30$, $t = 3.178$, $p < .002$), but the direct effect was not ($c' = 0.008$, $SE = .27$, $t = 0.0296$, $p > .97$). Supporting H3, the indirect effect through perceived price consistency ($ab = 0.96$, $SE = .24$) had a 95% CI that excluded zero (0.53, 1.46; based on 10,000 bootstrap

Table 2. Descriptive information (Study 2)

Existing customers' introductory pricing	Perceived price fairness	Purchase intentions	Perceived price consistency
No introductory deal	3.95	3.63	3.75
	(1.81)	(1.86)	(1.84)
The same introductory deal that the firm offers currently	4.91	4.40	5.40
	(1.50)	(1.85)	(1.61)

Note: Figures represent cell means and standard deviations (in parentheses).

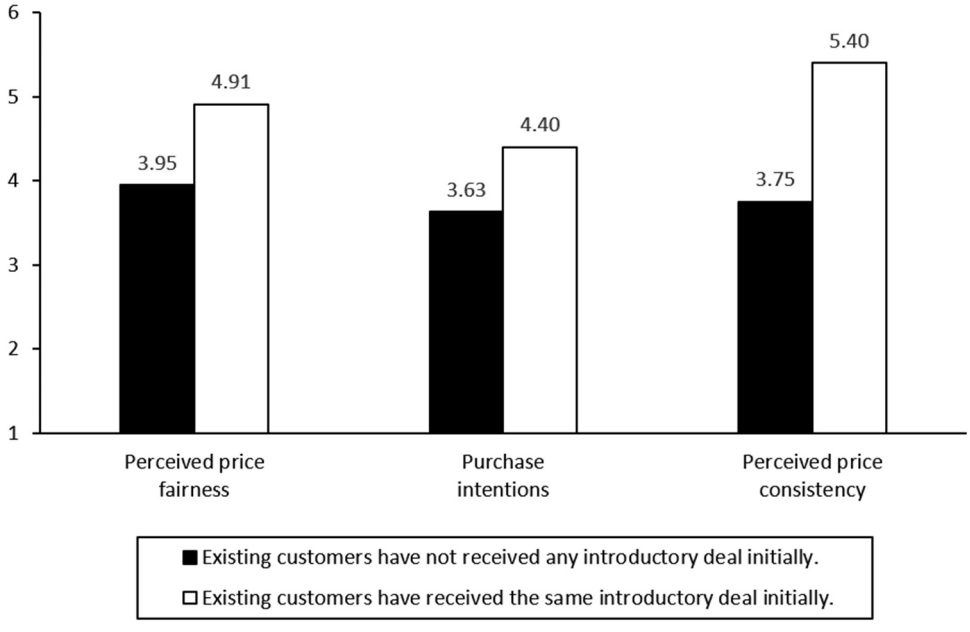

Figure 3. Existing customers' reactions to new customers' first-purchase discount (Study 2)

samples). Both the effect of existing customers' introductory pricing on perceived price consistency ($a = 1.65$, $SE = .32$, $t = 5.240$, $p < .001$), and the effect of perceived price consistency on perceived price fairness ($b = 0.58$, $SE = .07$, $t = 8.143$, $p < .001$), were positive and significant.

Discussion

Study 2 produced three important findings. First, it provided support for H2 by showing that when a firm offers new customers an introductory deal, existing customers' perceived price fairness and purchase intentions increase if they perceive that they have initially received an equivalent introductory deal. Second, it demonstrated that the fairness effect was strong enough to shift existing customers from a perception of price neutrality to a perception of price fairness. Finally, Study 2 provided support for H3 by demonstrating the mediating role of perceived price consistency.

Study 3: A replication in the context of a different service type

Studies 1 and 2 supported H1–H3 in the context of a subscription service (a fitness center membership). However, subscription services are only one type of service that consumers purchase in the marketplace. Therefore, the goal of Study 3 was to examine H1–H3 in the context of a non-subscription service (a hotel room) in order to provide evidence of their robustness to service type. Participants were recruited from Amazon Mechanical Turk. Before entering the study, they responded to an attention check question (Agley et al., 2022, p. 888: Arm 3, question c). Those who replied correctly (77%) were guided to the experiment. This method was used to generate a sample of 180 U.S. consumers ($M = 40$ years; 54% female).

Method

In the experiment, participants were existing customers of a hotel that offered new customers an exclusive 20% discount on a hotel room rate. They were randomly assigned to three between-subjects groups. In Group 1, the discount was presented without mentioning any limitation. In Group 2, the discount was presented with an explicit first-purchase limitation, and the existing customer had not received any introductory deal initially. In Group 3, the discount was presented with an explicit first-purchase limitation, and the existing customer had received the same introductory deal initially. This research design manipulated both discount limitation (Group 1: not mentioned, Groups 2 and 3: a first-purchase limitation) and existing customers' introductory pricing (Group 2: no introductory deal, Group 3: the same introductory deal). Participants read the following scenario (with the differences shown in parentheses):

> Imagine that you are a loyal customer of a hotel. Now you log into the hotel's website to make a reservation for a standard room for three nights. You learn that for you, the price of a standard room is $140 per night. You also learn that for new customers, the price is $112 per night. (*Group 1*: –/*Group 2*: However, this price only applies to their first reservation in this hotel. Thereafter, they pay the regular price of $140 per night. The hotel did not give any introductory offer to you when you were a new customer./*Group 3*: However, this price only applies to their first reservation in this hotel. Thereafter, they pay the regular price of $140 per night. The hotel gave exactly the same introductory offer to you when you were a new customer.)

A hotel room was chosen as it is a non-subscription service that has been used in prior research (Huang et al., 2005). The regular price was set based on the room rates in selected U.S. hotels, and the discount level was kept the same as in Studies 1 and 2. The measures were similar to those of Studies 1 and 2. Perceived price fairness was measured with three items: "My price is (fair/acceptable/reasonable)" (1 = *strongly disagree*, 7 = *strongly agree*; α = .98). Purchase intentions were measured with three items: "The probability that I would consider making the room reservation in this hotel is . . .," "The likelihood that I would make the room reservation in this hotel is . . .," and "The probability that I would make the room reservation in this hotel is . . ." (1 = *very low*, 7 = *very high*; α = .98). Perceived price consistency was measured using three items: "The hotel sets prices in a consistent manner," "The hotel's pricing is consistent," and "The hotel's price setting is consistent" (1 = *strongly disagree*, 7 = *strongly agree*; α = .98).

At the end, participants answered demographic questions and two manipulation check questions. The manipulation check question for discount limitation was: "According to the scenario, what limitation was attached to new customers' price, if any?" ("The price only applies to the first reservation in this hotel"; "The price applies to seven reservations in this hotel"; or "The scenario did not mention any limitation, just the price"). The manipulation check question for existing customers' introductory pricing was: "Which one of the below options most accurately describes the scenario that you read?" ("The company had not given you any introductory offer when you were a new customer"; "The company had given you the same introductory offer when you were a new customer"; or "The scenario

did not disclose whether or not you had received an introductory offer in the past").

Results

The manipulation of discount limitation was successful because 89.4% of participants correctly answered the manipulation check question ($\chi^2(1) = 112.02$, $p < .001$). Similarly, the manipulation of existing customers' introductory pricing was successful because 86.1% of participants correctly answered the manipulation check question ($\chi^2(1) = 93.89$, $p < .001$). The descriptive information of Study 3 is summarized in Table 3. Pairwise comparisons with Bonferroni adjustment were conducted to examine H1 and H2, while mediation analyses using PROCESS (Hayes, 2018) were employed to examine H3. The results are shown in Figure 4.

The effects of an explicit first-purchase limitation

Pairwise comparisons between Groups 1 and 2 showed that presenting an explicit first-purchase limitation (vs. no limitation) increased perceived price fairness ($M_{\text{Group 1}} = 2.91$, $SD = 1.50$; $M_{\text{Group 2}} = 4.07$, $SD = 1.68$; $t(123) = -4.061$, $p < .001$, $d = -0.73$) and purchase intentions ($M_{\text{Group 1}} = 3.12$, $SD = 1.75$; $M_{\text{Group 2}} = 4.37$, $SD = 1.59$; $t(123) = -4.158$, $p < .001$, $d = -0.74$), supporting H1. It also increased perceived price consistency ($M_{\text{Group 1}} = 2.47$, $SD = 1.54$; $M_{\text{Group 2}} = 3.58$, $SD = 1.77$; $t(123) = -3.728$, $p < .001$, $d = -0.67$).

Perceived price fairness was further examined with one-sample t-tests. They revealed that when the limitation was not presented, the mean of perceived price fairness was significantly lower than the scale midpoint of 4 ($t(63) = -5.813$, $p < .001$), indicating a perception of price unfairness. However, when the limitation was presented, the mean of perceived price fairness was not significantly different from the scale midpoint of 4 ($t(60) = 0.305$, $p = .76$), indicating a perception of price neutrality. Thus, presenting the limitation eliminated the perception of price unfairness, consistent with Study 1.

In the mediation analysis, the total effect of discount limitation on perceived price fairness was significant

Table 3. Descriptive information (Study 3)

Research groups	Perceived price fairness	Purchase intentions	Perceived price consistency
1. No limitation is mentioned.	2.91 (1.50)	3.12 (1.75)	2.47 (1.54)
2. An explicit first-purchase limitation; existing customers have received no introductory deal.	4.07 (1.68)	4.37 (1.59)	3.58 (1.77)
3. An explicit first-purchase limitation; existing customers have received the same introductory deal that the firm offers currently.	5.46 (1.32)	5.25 (1.48)	5.39 (1.76)

Note: Figures represent cell means and standard deviations (in parentheses).

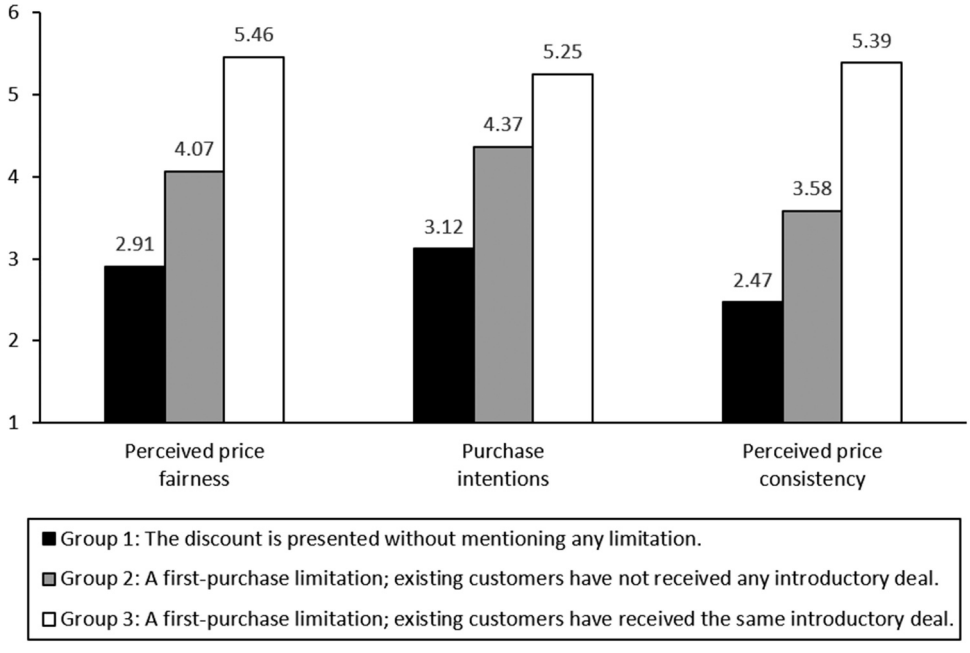

Figure 4. Existing customers' reactions to new customers' exclusive discount (Study 3)

($c = 1.16$, $SE = .29$, $t = 4.0613$, $p < .001$), but the direct effect was not ($c' = 0.37$, $SE = .20$, $t = 1.8296$, $p = .07$). Supporting H3, the indirect effect through perceived price consistency ($ab = 0.79$, $SE = .22$) had a 95% CI that excluded zero (0.37, 1.25; based on 10,000 bootstrap samples). Both the effect of discount limitation on perceived price consistency ($a = 1.10$, $SE = .30$, $t = 3.7275$, $p < .001$), and the effect of perceived price consistency on perceived price fairness ($b = 0.71$, $SE = .06$, $t = 12.1386$, $p < .001$), were positive and significant.

The effects of equivalent introductory pricing

Pairwise comparisons between Groups 2 and 3 showed that having initially received the same (vs. no) introductory deal increased perceived price fairness ($M_{\text{Group 2}} = 4.07$, $SD = 1.68$; $M_{\text{Group 3}} = 5.46$, $SD = 1.32$; $t(111.78) = -4.995$, $p < .001$, $d = -0.92$) and purchase intentions ($M_{\text{Group 2}} = 4.37$, $SD = 1.59$; $M_{\text{Group 3}} = 5.25$, $SD = 1.48$; $t(114) = -3.083$, $p = .005$, $d = -0.57$), supporting H2. It also increased perceived price consistency ($M_{\text{Group 2}} = 3.58$, $SD = 1.77$; $M_{\text{Group 3}} = 5.39$, $SD = 1.76$; $t(114) = -5.500$, $p < .001$, $d = -1.02$).

Perceived price fairness was further examined with one-sample t-tests. They revealed that if the existing customer had not initially received any introductory deal, the mean of perceived price fairness did not significantly differ from the scale midpoint of 4 ($t(60) = 0.305$, $p = .76$), indicating a perception of price neutrality. However, if the existing customer had initially received the same introductory deal, the mean of perceived price fairness significantly exceeded the scale midpoint of 4 ($t(54) = 8.238$, $p < .001$), indicating a perception of price fairness, consistent with Study 2.

In the mediation analysis, the total effect of existing customers' introductory pricing on perceived price fairness was significant ($c = 1.40$, $SE = .28$, $t = 4.9323$, $p < .001$), but the direct effect was not ($c' = 0.28$, $SE = .22$, $t = 1.2685$, $p = .21$). Supporting H3, the indirect effect through perceived price consistency ($ab = 1.11$, $SE = .23$) had a 95% CI that excluded zero (0.69, 1.59; based on 10,000 bootstrap samples). Both the effect of existing customers' introductory pricing on perceived price consistency ($a = 1.81$, $SE = .33$, $t = 5.4995$, $p < .001$), and the effect of perceived price consistency on perceived price fairness ($b = 0.61$, $SE = .06$, $t = 10.8577$, $p < .001$), were positive and significant.

Discussion

Study 3 replicated the support for H1–H3 using a non-subscription service, thereby showing that H1–H3 are robust to service type. Study 3 also replicated the findings that an explicit first-purchase limitation eliminates existing customers' perception of price unfairness by leading them to a perception of price neutrality instead (Study 1), and that equivalent introductory pricing further leads them to a perception of price fairness (Study 2).

A supplementary study on the role of discount level

Studies 1–3 were based on the same discount level (20%). A supplementary study was conducted to examine the potential moderating role of discount level. It tested the robustness of H1 and H2 to discount level (10% vs. 30%) using the same hotel room scenario as Study 3. The supplementary study provided further support for H1 and H2 and showed that they are robust to discount level. It also replicated the findings that an explicit first-purchase limitation eliminates the perception of price unfairness by eliciting a perception of price neutrality (Studies 1 and 3) and that equivalent introductory pricing further elicits a perception of price fairness (Studies 2 and 3). The details are available online as supplementary material.

General discussion

New customers' exclusive discounts are a common marketing promotion. However, prior research indicates that they lead existing customers to a perception of price unfairness and thus negative behavioral intentions. Because this adverse reaction may undermine the financial benefits of offering such discounts, identifying strategies that mitigate the reaction is important to marketing researchers and managers. This article draws on fairness research to argue that existing customers' adverse reaction can be mitigated by strategies that reduce their long-term inequity without reducing their short-term inequity. One such strategy is to present the discount with an explicit first-purchase limitation. Another such strategy is to offer equivalent introductory pricing to all customers. This research examines the effects of these strategies, their robustness to contextual variables, and the underlying psychological mechanism.

Study 1 demonstrates that when new customers are offered an exclusive discount, existing customers' perceived price fairness and purchase intentions increase if the discount is presented with an explicit first-purchase limitation (vs. no limitation). The study further reveals the robustness of these effects to promotional framing and the mediating role of perceived price consistency. Study 2 demonstrates that when new customers are offered an exclusive discount with an explicit first-

purchase limitation, existing customers' perceived price fairness and purchase intentions increase if they perceive that they have initially received an equivalent introductory deal (vs. no introductory deal). The study also shows the mediating role of perceived price consistency. Study 3 replicates the effects of an explicit first-purchase limitation and equivalent introductory pricing, along with the mediating role of perceived price consistency, in a different service context, thereby establishing their robustness to service type. A supplementary study demonstrates that the effects of an explicit first-purchase limitation and equivalent introductory pricing are robust to discount level.

Theoretical contributions

This article extends the marketing literature that seeks to understand how non-targeted customers react to targeted promotions (e.g., Ashworth & McShane, 2012; Darke & Dahl, 2003; Feinberg et al., 2002; Newman et al., 2019; Thompson et al., 2015; Xia & Monroe, 2017). In particular, this article makes several important contributions to the marketing research that examines how existing customers react to new customers' exclusive discounts (Ashworth & McShane, 2012; L. E. Bolton et al., 2010; Fassnacht & Mahadevan, 2012; Feinberg et al., 2002; Fernandes & Calamote, 2016; Gardner & Melancon, 2023; Grewal et al., 2004; Huang et al., 2005; Lhoest-Snoeck et al., 2014; Lii & Sy, 2009; Maxwell & Garbarino, 2010; Pizzutti dos Santos & Basso, 2012; Tsai & Lee, 2007).

First, this research shows the effects of an explicit first-purchase limitation. Previous laboratory studies have repeatedly indicated that new customers' exclusive discount leads existing customers to a perception of price unfairness and negative behavioral intentions (e.g., L. E. Bolton et al., 2010; Feinberg et al., 2002; Fernandes & Calamote, 2016; Grewal et al., 2004; Huang et al., 2005; Pizzutti dos Santos & Basso, 2012; Tsai & Lee, 2007). However, in previous studies, the discount has been presented without an explicit first-purchase limitation. This article shows that presenting the discount with an explicit first-purchase limitation (vs. no limitation) increases existing customers' perceived price fairness and purchase intentions. Notably, presenting the limitation consistently eliminated the perception of price unfairness by eliciting a perception of price neutrality instead. This finding suggests that new customers' exclusive discounts presented with an explicit first-purchase limitation are a sustainable marketing practice, unlike those presented without a limitation. The findings also show that the effects of the limitation are robust to promotional frame, discount level, and service type.

Second, this research shows the effects of equivalent introductory pricing. Previously, Gardner and Melancon (2023) have studied the effects of an initially received deal on existing customers' responses, but their empirical study focused on a deal that offered a discount of 100% for all phases of the customer relationship. In contrast, the present research examines introductory deals that offer a discount only for the initial phase of the customer relationship. The present article shows that when new customers are offered an introductory deal, existing customers' perceived price fairness and purchase intentions increase if they perceive that they have initially received an equivalent introductory deal (vs. no introductory deal). Notably, the perception of having initially received an equivalent introductory deal consistently elicited a perception of price fairness. Thus, new customers' exclusive discounts are a particularly sustainable marketing practice under the policy of equivalent introductory pricing. The effects of equivalent introductory pricing were robust to discount level and service type.

Third, this research proposes and provides evidence of the psychological mechanism underlying the effects of an explicit first-purchase limitation and equivalent introductory pricing. Specifically, this article draws on fairness research to posit that when new customers are offered an exclusive discount, existing customers judge price fairness by assessing long-term inequity, which refers to the difference between existing and new customers' long-term outcome-input ratios. Assuming outcomes and non-price inputs are held constant, long-term inequity hinges on perceived price consistency or the degree to which a firm's prices appear consistent between existing and new customers from a long-term perspective. Accordingly, the present article proposes that perceived price consistency mediates the effects of price-related strategies, such as those examined in the present research, on perceived price fairness.

The findings support the proposed mechanism in three ways. First, the findings show that perceived price consistency mediates the effects of an explicit first-purchase limitation and equivalent introductory pricing on perceived price fairness. Second, the findings rule out the alternative mechanism in which existing customers would judge price fairness based on short-term inequity. As the two examined strategies do not affect short-term inequity, their demonstrated effects on perceived price fairness cannot be explained by an assessment of short-term inequity. Lastly, the theoretical significance of the proposed mechanism is that it provides a conceptual basis for rejecting the belief that new customers'

exclusive discounts inevitably lead existing customers to a perception of price unfairness. Specifically, the mechanism proposes that such a discount may lead existing customers to a perception of price unfairness, price neutrality, or price fairness, depending on long-term inequity. The findings of the present research reveal this diversity of potential perceptions (see, e.g., Figure 4).

Managerial implications

This research has important implications for marketing managers regarding how to manage the acceptability of new customers' exclusive discounts among existing customers. First, the findings show that existing customers react positively to an explicit first-purchase limitation. Therefore, firms should consider presenting new customers' exclusive discounts with such a limitation by default. On the other hand, firms should avoid offering new customers exclusive discounts that apply on an ongoing basis or that appear to do so due to being presented without an explicit limitation. It is possible that in some circumstances, existing customers may also tolerate a more lenient limitation, such as restricting the discount to the first three purchases rather than just the first. However, firms should assess the feasibility of such limitations on a case-by-case basis, as extending the limitation increases long-term inequity, which in turn decreases perceived price fairness and purchase intentions.

Second, the findings show that existing customers react positively to equivalent introductory pricing. Therefore, firms should consider offering equivalent introductory pricing to all customers over time. The ingenuity of this strategy is that it enables firms to offer an introductory deal to new customers, who typically have a lower willingness to pay than existing customers, while ensuring that existing customers perceive this offer as fair because they have initially received an equivalent deal and thus perceive no long-term inequity. Third, the findings demonstrate that the effects of an explicit first-purchase limitation and equivalent introductory pricing are robust to service type (subscription and non-subscription services) and discount level (10–30%). Therefore, these strategies are useful for a wide variety of service providers and applicable across diverse market conditions.

Overall, the findings suggest that when properly managed, new customers' exclusive discounts are a sustainable marketing practice. This is because the findings indicate that firms can improve existing customers' price fairness judgment from unfairness to neutrality by presenting an explicit first-purchase limitation, and further from neutrality to fairness by offering equivalent introductory pricing. So, the two strategies have additive positive effects on perceived price fairness, and even a mere explicit first-purchase limitation appears to eliminate the perception of price unfairness. Thus, this research differs from the mainstream of previous research, which suggests that new customers' exclusive discounts lead existing customers to a perception of price unfairness and consequently advises firms, for example, to carefully consider whether to offer such discounts (e.g., Pizzutti dos Santos & Basso, 2012), to attempt to hide such discounts from existing customers (e.g., Feinberg et al., 2002), or to price-discriminate in favor of existing rather than new customers (e.g., Tsai & Lee, 2007).

Limitations and future research

While the present research offers important theoretical and managerial implications, it also has some limitations. First, this research is conducted using laboratory experiments. Future research could replicate the findings using field experiments. Second, this research focuses on services. Future research could replicate the findings in the context of physical goods. Third, this research assumes that perceived price fairness influences the purchase behavior of existing customers. This causality may weaken when existing customers face high switching costs (Xia et al., 2004). Fourth, situational and individual characteristics may affect the extent to which existing customers engage in the assessment of long-term equity. For example, impulsiveness as a personality trait may decrease the tendency to assess equity from a long-term perspective. Fifth, this research examines the effects of an explicit first-purchase limitation and equivalent introductory pricing in the context of a discount. Future research could examine them in the context of other purchase incentives, such as gifts.

Sixth, this research investigates the effectiveness of a first-purchase limitation. Future research could examine the effectiveness of more lenient discount limitations. Finally, various factors may affect existing customers' perception of equivalence between their past introductory deal and the introductory deal that new customers currently receive. Future research could examine factors such as memory accessibility, transaction similarity, price framing, and inflation. For example, the studies in this article assume that existing customers have their past introductory deal accessible in memory at the time of making the price fairness judgment. Future research could empirically examine this assumption. Moreover, the studies in this article

operationalize the concept of an equivalent introductory deal simply as an identical deal. However, existing customers may also perceive some non-identical deals as being effectively the same and thus equivalent. Future research could investigate this topic.

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Data availability statement

The data that support the findings of this study are available from the author upon reasonable request.

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