

Cătoi, Iacob; Vrânceanu, Diana Maria; Filip, Alina

Article

Setting Fair Prices – Fundamental Principle Of Sustainable Marketing

Amfiteatru Economic Journal

Provided in Cooperation with:

The Bucharest University of Economic Studies

Suggested Citation: Cătoi, Iacob; Vrânceanu, Diana Maria; Filip, Alina (2010) : Setting Fair Prices – Fundamental Principle Of Sustainable Marketing, Amfiteatru Economic Journal, ISSN 2247-9104, The Bucharest University of Economic Studies, Bucharest, Vol. 12, Iss. 27, pp. 115-128

This Version is available at:

<https://hdl.handle.net/10419/168690>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



<http://creativecommons.org/licenses/by/4.0/>

SETTING FAIR PRICES – FUNDAMENTAL PRINCIPLE OF SUSTAINABLE MARKETING

Iacob Cătoi¹, Diana Maria Vrânceanu^{2*} and Alina Filip³

^{1) 2) 3)} *The Bucharest Academy of Economic Studies, Romania*

Abstract

In commercial area, the price has a major importance, being frequently considered among the main criteria used in buying decision process. Price fairness derives from equity theory and it is focused on assuring in a transaction a reasonable report between the customer's sacrifice and the value offered by the seller. In three marketing experiments we have evaluated customers' fairness perceptions of differential prices, this tactic being frequently used by sellers. One important finding was that the motive for setting differential prices is important in fairness evaluation. Price differences based on social motives are perceived fairer than those motivated by company's interest. The differential prices on customer category are perceived fairer than zone prices. In all three marketing experiments it was demonstrated that price fairness has a significant influence on value perception and on buying intentions. Fair prices setting is one of the principles sustainable marketing is based on, reflecting a long term orientation for a company. By following this decisional direction, the commercial firm increases the value offered to its customers and it becomes more socially responsible.

Keywords: sustainable development, sustainable marketing, fair price, price fairness, differential prices, distributive fairness, procedural fairness

JEL Classification: M14, M31, O10

Introduction

Sustainable development is somehow a new concept that has been used with a variety of meanings, specialists not agreeing on a unitary definition. The term "sustainability" has its origins in the field of ecology, designating an ecosystem's potential to subsist for a longtime with almost no alteration. The association with the word "development" has been changing its signification, expanding its area besides environment to society and economy (Jabareen, 2008). During the last years, the new concept has attracted both the specialists from ecology and those from economy (Fergus and Rowney, 2005, Brown, 2002, Jabareen, 2008) and was promoted by many organizations (World Commission on Environment and

* Corresponding author, **Diana Maria Vrânceanu** - dvranceanu@yahoo.com

Development, World Business Council for Sustainable Development, International Institute for Sustainable Development etc). Thus, the sustainable development is oriented to an economic and social progress, without affecting the natural equilibrium.

At the first glance, marketing and sustainable development seem to be contradictory terms. Marketing is focused on satisfaction of customers' needs, being considered by many people a mechanism to stimulate consumption. Sustainable development militates for consumption limitation, as not to compromise the quality of life for future generations. Sustainable marketing is a new vision, oriented on an effective use of resources aimed to offer the best value to customers and to other stakeholders, by taking into consideration society's and environment's long term interests. This concept is beginning to be approached in academic area (Charter et al., 2006, Louppe, 2006, Chahal and Sharma, 2006), being assimilated, in certain situations, by the business environment. To carry on this orientation, it is necessary to design a marketing mix with specific characteristics.

Price has an important role in offering a sustainable development, because it has to assure in a transaction a fair report between the customer's sacrifice and the value offered by the seller. In commercial area, price fairness perceptions have a major contribution in satisfying customers' needs or in sustaining firm's reputation.

For the present paper, we have defined price fairness concept and its dimensions, as they are presented in the literature (Xia *et al.*, 2004, Cox, 2001, Goodwin and Ross, 1992, Diller, 2008, van den Bos *et al.*, 1998, Campbell, 1999, Vrânceanu, 2007). One of the most controversial pricing tactics, concerning its fairness, is represented by differential prices, used frequently in commercial area (Haws and Bearden, 2006, Kannan and Kopalle, 2001, Gabarino and Lee 2003, Grewal *et al.*, 2004). In three marketing experiments we have assessed fairness perception of three types of differential prices, its influence on perceived value and on buying intentions. The results might render evident important managerial directions to commercial firms towards a sustainable development.

1. Sustainable development concept

In defining the meaning of sustainable development, Fergus and Rowney (2005) concluded that the early use of the term "had the potential to stimulate discursive engagement with respect to the future development of the human species within an ethical framework based around the values of inclusivity, diversity, and integration" (p. 25).

The World Business Council for Sustainable Development defines this concept as „forms of progress that meet the needs of the present without compromising the ability of future generations to meet their needs“(W.B.C.S.D.). The same organization states that the aim of this orientation is to help companies to prosper and to have long term potential to innovate and grow. For a company, value creation in the present has to be correlated with assuring the possibility to develop its businesses in the future. Thus, taking into account the limited resources, it has to manage the producing and commercial processes as to harmonize its financial interests with those of consumers and of society (Popescu *et al.*, 2008).

The main concepts sustainable development is based on are: capital stock, equity, eco-form, integrative management (Jabareen, 2008). For sustainable development it is necessary to preserve natural capital stock, composed by renewable and non-renewable natural resources. The mission of the organizations is to keep constant this capital, not to endanger

the existence of the next generations. Another basic principle of sustainable development is the equity: economic, social, environmental or political. A definition that has put in value the equity principles belongs to World Commission on Environment and Development (WCED, 1987) "Sustainable development requires meeting the basic needs of all and extending to all the opportunity to satisfy their aspirations for a better life". The most appealed is intergenerational equity that states equal rights to the present and future generations, concerning the resource distribution. Intragenerational equity consists of eliminating discrimination and stimulating a more equitable distribution of power among the members of the current generation.

Eco-form represents the way to organize the human habitat (buildings, residential spaces, houses), to assure an ecological design and to manage consumption. In this direction, building and other activities in the residential spaces should not affect the environment on the long term. Integrative management states the principles of acquiring equilibrium between economic, social and ecologic objectives. According to this vision, environmental protection is a necessary condition to acquire economic growth and social development.

2. Sustainable marketing – a new approach for the company

Marketing orientation has been changing in the last decades, becoming more adapted to the new economic and social requirements. In these conditions there have been introduced some new concepts as: societal marketing, green marketing or sustainable marketing.

Societal marketing is an orientation directed to satisfaction of customers' needs, without affecting the general interests of the society. American Marketing Association uses for societal marketing also the term social responsibility of marketing as "the obligation of marketing organizations to do no harm to the social environment and, wherever possible, to use their skills and resources to enhance that environment". The same association defines green marketing as "the efforts by organizations to produce, promote, package, and reclaim products in a manner that is sensitive or responsive to ecological concerns".

Charter *et al* (2006) consider sustainable marketing as "a broader management concept which focuses on achieving the 'triple bottom line' through creating, producing and delivering sustainable solutions with higher net sustainable value whilst continuously satisfying customers and other stakeholders" (p. 12).

The drivers for a company to adopt a sustainable marketing orientation are:

- increasing of legislation norms number related to pollution and environment protection;
- the limited character of natural resources and their increasing cost;
- changes in consumers' attitudes and behaviors, so they have become more sensitive to sustainable solutions;
- increasing of stakeholders' awareness toward the necessity of more socially responsible actions;
- the necessity to gain a competitive advantage by adopting sustainable strategies.

A concept that is sustainable marketing founded on is represented by company social responsibility (CSR). This orientation states that a company obtains business success by incorporating ethical principles in its actions, by being sensitive to social and environmental problems, attitude that confers it an important competitive advantage. Chahal and Sharma (2006) define CSR as “firm’s obligation to protect and improve welfare of the society and its organization, now as well as in future, through its various business and social actions, and ensures that it generates equitable and sustainable benefits for the various stakeholders” (p. 205).

The increasing preoccupation of firms for sustainable marketing is shown in a survey made in 2009 on 270 companies from United States, by American Marketing Association and Fleishman-Hillard, Inc. (A. M. A. and Fleishman-Hillard, Inc., 2009). According to the results, in the next 12 months, 43% companies anticipate an increase in sustainability practices in their marketing activities. The political, economic and social environment will determine 58% companies to place more emphasis on sustainability issues in the next two to three years, than in the past. An important percent of companies (58%) perceive sustainability’s aim as to assure equilibrium between financial, human and natural resources for a long term benefit. Surpassing the environment protection objective has been mentioned by only 23% of respondents.

For the purpose of making applicable the sustainable marketing orientation, it is necessary to design a marketing mix with some particularities that differentiate it by the traditional vision. In the product policy, all activities, from ideas generation to the new product launch have to be submitted to sustainable vision, that emphasis offering satisfaction to all stakeholders and not to affect their long-term interests. In this context, the new product is important to be evaluated according to some requirements: fulfillment of customers’ real needs, level of energy and other resource consumption, possibility to make it by renewable resources and to recycle them, impact on human health, pollution level, easiness in repairing it, not to use children in manufacturing it and not to test it on animals.

Package, as a corporate component of product, must be: biodegradable, safe, functional, recyclable, and easy to transport or deposit (Filip *et al*, 2009). Another important component of the product is its image. In sustainable marketing, the company has to build a good reputation among the stakeholders, able to reflect its concerns on social responsibility and on fairness towards all partners.

In price policy, sustainable development has to focus on setting a fair price. This goes beyond the equilibrium price (resulted by intersection between supply and demand curves) aiming to serve the interests of both parties in the transaction, by assuring an equitable distribution between them (Louppe, 2006). A fair price generates an ethic behavior that implies not to speculate a power position, an offer scarcity, a low information degree or other situations that may affect the interests of all stakeholders. For example, due to customers’ power superiority it is possible to be imposed a certain price, that does not reflect the value offered. In this case, some suppliers might be driven out of business and thus the sustained development might be affected, because the principles of justice have not been respected. In pricing literature, there has been developed the concept of good value for money that means a fair quality-price ratio. This involves setting profit margins according to the real product value.

Price contribution to sustainable development also consists of covering some environment protection taxes, offering deals for social responsible behaviors and collecting funds for ecological causes. It also might be a leverage in “demarketing” strategies, used to reduce consumption of energy, of non-renewable resources or of products that might affect the environment. In sustainable marketing, in order to justify the price to be paid, it is essential to communicate the value offered by environment improvement. Price is also an instrument to sustain social causes, because people are less sensitive to price when the product is aimed to contribute to charitable actions.

In promotional strategy, the message has to be clear, correct, not to use misleading information, to focus the company preoccupation for environment protection and to other social causes. The communication target has to comprise not only the customers, but also other stakeholders’ categories as: suppliers, shareholders, mass-media, environmentalists, employees, competitors, chains, government agencies, general public (Filip *et al*, 2008). The product attributes communicated in promotional messages have to be checked in real life by people belonging to targeted categories. The promotional campaigns have to be based on marketing research information that makes evident customers’ needs, perceptions and expectations related to the company and to its products. Through its messages a company can stimulate its consumers to become more aware about social and environmental exigencies and to act consequently.

In sustainable marketing, distribution has to focus on a fair trade orientation. This means that the commercial transaction has to be based on transparency, equity and respect for all the parties. For a sustainable development, between the members of the supply chain has to be a strong partnership aimed to generate a coherent vision and mutual benefits.

Carter and Rogers (2008), in presenting sustainable supply chains, point out that when a firm is dependent on external resources it may improve long term economic development by vertical coordination of supply chain activities. In this direction, it might be constituted partnerships and alliances with certain suppliers that stimulate safe products offering, concerning environment or customers’ health. One example in this respect is represented by Starbucks cafés that used this type of partnership to offer high quality coffee, assuring a fair price to the farmers that grow coffee plants in ecologic conditions. A sustainable vision on supply chains has also implications on costs, leading to their reduction by a better management of product packaging, transport and storage, by creating better work conditions for employees.

Marketing has a significant contribution to sustainable development because it is aimed to increase value offered to customers, taking into account limited resources. The products designed in a sustainable vision include some supplementary costs oriented on environment protection, which might conduct to increasing of selling prices, although on long term, the supported cost (individual and social) is reduced. Thus, taking into consideration Romanian customers’ price sensitivity, emphasized by the present economic crisis, the interest for such products is limited to certain customer categories, with a more developed social conscience and with a higher interest on long term effects of the consumption. At the same time, there exists also a tendency towards increasing sensitivity of product using costs that might enhance the interest for individual and social implications of the consumption process.

3. Fair price – a key element for sustainable development

Price fairness is a new marketing approach oriented on assessing the equity of seller-customer report during a transaction. At the base of this concept is the equity theory that states an exchange might be perceived as fair when the cost/benefit report is the same for all parties (suppliers, buyers) (Adams, 1965). This theory focuses on social justice, showing that people judge an outcome as fair when the ratio of their own inputs and outputs matches the input-output ratio of comparing others. For example, input might be represented by the price paid and output by the product obtained in a transaction.

Kahneman *et al* (1986) have considered that a key concept in fairness analysis is reference transaction, characterized by a reference price or wage for customers or employees and by a reference profit for the firm. From this concept derives the principle of dual entitlement that means employees/customers are entitled to a reference wage/price and the firm to a reference profit. Any attempt to change this ratio will generate an unfairness situation. According to this principle, a price rise must be based on a cost increase. Thus, a price rise is considered unfair when it leads to profit enhancement and fair when it sustains profit maintaining.

According to Xia *et al* (2004), price fairness is “consumer’s assessment and associated emotions regarding of whether the difference (or lack of a difference) between a seller’s price and the price of a comparative other party in a transaction is reasonable, acceptable or justifiable” (p.3). Fairness perception is a comparative process that in pricing area means a comparison between current price and a reference point, which might be a price paid in another buying occasion, a price set by another store, the level of estimated cost for the product, the price paid by another person. The last type is a social comparison that has a more intense effect on perceived price fairness, because people accept with difficulty to pay more than other persons (Xia *et al*, 2004).

By comparing the current price with the reference point might be obtained equality, an advantageous inequality or a disadvantageous inequality, generating a price fairness or unfairness perception. Xia *et al* (2004) made a separation between the two concepts, price unfairness perception being considered clearer, sharper and more concrete than the price fairness perception.

Depending on comparison procedure used, most of the authors consider price fairness might be of two types: distributive and procedural. Distributive fairness refers to the modality resources or rewards are allocated between the parties in a transaction, the measure in which there exists a fair report between the investment made and the reward received (Cox, 2001, Goodwin and Ross, 1992). For price fairness, the investment is represented by the price paid which is compared with an expectation base reference point (expected price based on past experience) or a social-based reference point (price paid by another person) (van den Bos *et al*, 1998).

Procedural fairness refers to the procedure used to attain a certain objective, “to the process underlying and leading to the eventual returns” (Diller, 2008, p. 353). In pricing area, procedural fairness takes into consideration the price setting rules and other procedures used to determine a certain price structure.

The report between distributive and procedural fairness was debated in the literature, but there are divergent opinions. The sensibility to social reference points determines

consumers to rely less on procedure when they have information about prices paid by other customers, so in this case distributive fairness is more important than procedural fairness. This idea is outlined by van den Bos *et al* (1998) that found out “if people receive outcomes that are better or worse than expected, they use procedural fairness to assess how to react to their outcome but that they rely less on procedure information when they receive outcomes that are equal to, better than, or worse than those of comparison others” (p. 1501). When customers don’t have information about procedure they make inferences about it, taking into consideration the outcome. Thus if they perceive the price level is unfair they are prone to infer that procedure used to calculate this price is also unfair. A procedure is considered fairer if it is more frequently used because consumers accept easier procedures they are used with. A price increase is considered fairer when it is indicated a motive for this action comparing with not indicating any motive (Schein, 2002).

There are also opinions that sustain another fairness type, interactional, that concerns the treatment of individual in a transaction (respect, courtesy, apology) and it is manifested especially in services sector (Goodwin and Ross, 1992, Vrănceanu, 2007).

Diller (2008) proposed a model in which considers price fairness as a multidimensional construction that has seven components: distributive fairness, consistent behavior, price honesty, price reliability, influence/right of codetermination, personal respect and regard for partner, fair dealing. In his view, *distributive fairness* means, in a transaction, any partner should not try to improve his position unilaterally, obtaining a gain by imposing an equivalent loss to the other. *Consistent behavior* means the seller maintains the price procedure along the collaboration period with the customer and announce him in due time in the case he wants to change this procedure. *Price honesty* means to offer to customers’ information about price and payment conditions that might be complete, accurate, easily comprehensible and unadulterated. This component of fairness considers seller has not to take advantage of consumer because the last one is not so careful in processing pricing information. Frequently, the customers do not know the after-purchase costs that are important to estimate the total product value. As a measure for honest prices, the U.S. Environmental Protection Agency introduced in 1992, the Energy Star program, a voluntary labeling program aimed to help consumers to evaluate the gain obtained from an energy efficient product. This program provides total cost of ownership information, allowing consumers to add the expected energy costs to the initial purchase price (Ayrès and Nalebuff, 2003).

Price reliability represents compliance of the prices established in the contract, even if some conditions are changing. *The right of influence and co-determination* concern giving customer possibility to offer contra-arguments about a price procedure, not to impose him this procedure. Negotiated prices are perceived fairer than fixed ones because customer has a certain control degree on price setting. Haws and Bearden (2006) demonstrated that price fairness perceptions depend on customer’ control degree on price procedure in a transaction. *Respect and regard for the partner* are oriented on developing long term relationships, based on equitable behavior. Thus, a more powerful partner should not exercise excessive pressure, despite the interest of the other and he must show understanding in his problems. *Fair dealing* concept means flexibility in unforeseen situations and generosity in covering contract obligations, when are seen questionable solutions.

Fair price topic is approached also in the social entrepreneurship context that refers to resources mobilization through innovative activities aiming to offer a social value, rather than enhancing personal income or increasing shareholders' profit (Austin et al., 2006). The social entrepreneurship means launching high innovative products with a significant social impact, aimed to long term satisfying some basic needs that could not been covered by organizations oriented on commercial entrepreneurship. In this way, the social entrepreneurship has an important contribution to sustainable development. Social entrepreneurship orientation is sustained by the general strategy of the organization, in the conditions of assuming the corporate social responsibility in a great measure. Transaction fairness is an essential feature of the social entrepreneurship, thus the fair price represents an instrument used to do, on a long term, a correct distribution, for both parties in a transaction, concerning the ratio between the resources consumed and the benefits received. Also, the social entrepreneurship militates for social equity, implying to assure differential prices to support disadvantaged categories and to stimulate some social changes.

4. Research on fairness perceptions of differential prices

Differential prices for the same product represent one of the most discussed topics concerning fairness. These prices are based on customer segment differences taking into account several criteria: purchase moment, geographic area, quantity purchased or customer type. One special category is represented by dynamic prices that are changing on time, depending on customer's behavior considered individually. One representative example is price determination for air transport services that depends on the period of time between ticket acquisition and travel moment.

The customers accept easier pricing differences when the costs are different (a lower price for a water bottle in a supermarket comparing with the same product price in a restaurant) or when some social norms concerning special treatments are imposed (preferential prices for seniors, undergraduates) (Garbarino and Lee, 2003). Offering information about differential prices motives increases positive fairness perceptions. For differential prices on time, Haws and Bearden (2006) also demonstrated that consumers consider price changes over a more extended time period fairer than changes on a very short time period, especially for low price products category.

Research methodology and results

Campbell (1999) has demonstrated that inferred motive for a price increase has a direct influence on fairness perceptions. When a firm has a negative motive to take advantage to the customer, the price is perceived unfair comparing with the situation when the firm uses the price increase to sustain social causes (charitable ones). We may thus suppose that offering lower prices for pupils/students is perceived fairer when the firm motivates this action as a measure to sustain a financial underprivileged category, than when it intends to maintain its sales volume on long term, by achieving loyalty within these categories. Therefore, we may formulate the next statistical hypothesis:

- *H1*: Differential prices are perceived fairer for social motives than for company's long term sales volume maintaining motive

Xia *et al* (2004) considered value as a mediating variable, between price unfairness perceptions and buying intentions. Campbell (1999) has evidenced a direct influence of perceived unfairness on buying intentions. So we may suppose:

- *H2*: Price fairness has a direct influence on perceived value and on buying intentions

Company's message framing might have a significant influence on perceptions. Levin and Gaeth (1988) showed that perceptions of the quality of ground beef depended on how it had been labeled as "75% lean" or "25% fat." They have found that the beef was perceived as better tasting and less greasy when it was presented in a positive light (75% lean) rather than in a negative light (25% fat). So, we may suppose that the differential price motive framed in a positive manner conducts to a fairer price perception than when it is framed in a negative way.

- *H3*: Differential prices' motive framing influences fairness perceptions

In a segmentation made on criteria such as age or graduation status, customers do not carry on any effort to belong to a certain category, named also objective eligibility comparing with the case in which segmentation is done on a behavioral criterion (e.g. purchase frequency), named also behavioral eligibility. Thus, the persons that belong to some categories (students, seniors) are considered entitled to differential prices (Xia *et al*, 2004, Campbell, 1999), so we may suppose:

- *H4*: Differential prices on graduation stage (graduate/non-graduate) are perceived fairer than differential prices on buying behavior (occasional shopper/regular shopper).

In a qualitative research whose purpose was to identify price fairness perceptions in Romanian market, Cătoiu and Vrânceanu (2007) found out that zone pricing is perceived the most unfair tactic comparing to differential prices on time or on customer category. These findings might contribute to the next hypothesis substantiation:

- *H5*: Differential prices on geographic area are perceived less fair than differential prices based on customer category (on graduation stage and on buying behavior)

To evaluate price fairness perceptions of differential prices and to test the previous hypotheses, there have been conducted three marketing experiments, using completely randomized design scheme. The scenarios have exposed the case of a fitness club that has used three types of differential prices, subjects being asked to express their opinion on price fairness, value and buying intentions, on a Likert scale with 7 levels (1-Strongly disagree to 7-Strongly agree). For all three experiments, the sample was composed of 100 students, average age 19.8 years old, 30 percent males.

In the first experiment, the two scenarios presented the situation of buying a service that has been offered with differential prices on graduation stage (an undergraduate versus to a graduate). The independent variable was the club motive to set differential prices, with two variants: social motive, oriented on customers and sales volume maintaining motive, oriented on company. The experiment scenario structure was: *an undergraduate pays less than a graduate because*: 1) *an undergraduate has a lower income comparing with a graduate*; 2) *once an undergraduate becomes used to the club services, he will continue his*

habit after finishing school, assuring a steady income to cover costs. The dependent variables were, as mentioned before: price fairness, value and buying intentions.

According to the results, the price fairness mean for social oriented motive ($M=6.12$) is greater than for company oriented motive ($M=5.68$). The differential prices are perceived fairer when they are motivated by the company intention to sustain a unprivileged customers category concerning income level, than when are based on company desire to maintain sales volume level. Applying ANOVA analysis resulted $F_{1,98}=5.037$, $p<0.05$, thus motive type has a significant influence on price fairness perception, hypothesis H1 being accepted.

The Pearson correlation coefficient between price fairness and value is 0.602 ($p<0.01$) that demonstrates the existence of a relatively strong relationship between these variables. Thus a fair price generates a great value perception. The correlation between price fairness and buying intentions is weaker than in the previous case 0.314 ($p<0.01$), but it is statistic significantly. Thus hypothesis H2 is accepted, price fairness has a direct influence on value and on buying intentions.

In the second experiment, the independent variable was represented by the manner of motive framing for differential prices on customer category (regular versus occasional shoppers). The dependent variables were also: price fairness, value and buying intentions. The scenario structure for the second experiment was: *a regular shopper pays less than an occasional shopper because: 1) a regular shopper assures a steady income to cover costs; 2) an occasional shopper does not assure a steady income to cover costs.*

The results show that motive framing for prices difference has an insignificant influence on price fairness perception, as $F_{1,98}=0.48$, $p>0.1$. Thus, hypothesis H3 is not accepted. The correlation coefficient between price fairness and value is 0.665 ($p<0.01$) and between price fairness and buying intentions is 0.590 ($p<0.01$). This shows a direct, pretty strong relationship between price fairness and value, respectively buying intentions, that confirms again hypothesis H2.

In the third experiment, customers' perceptions were evaluated for the case of differential prices on geographic areas. The experimental factor was the motive framing for these prices, the dependent variables and their measurement were the same as in previous two experiments. The scenario structure was: *a shopper from a non-central club's location pays less than a shopper from a central club's location because: 1) in the central area the costs are higher; 2) in the non-central area the costs are lower.*

According to the results, framing of the motive for differential prices on geographic area has no influence on price fairness $F_{1,98}=0.054$, $p>0.1$, so, as in the second experiment, H3 is not accepted. The correlation coefficient of price fairness with value is 0.673 ($p<0.01$) and with buying intentions is 0.648, ($p<0.01$) that sustains for the third time hypothesis H2.

Making a comparison between the three marketing experiments, we may analyze what the type of differential prices is perceived to be fairest. Price fairness mean for differential prices on graduation stage is $M=5.9$, and on buying behavior is $M=5.69$, showing a favorable attitude to these two prices categories. Because the difference between the two means is not significant, $t=-1.243$, d.f.=198, $p>0.1$, we can not validate H4. We may conclude that there are not statistically significant differences among price fairness

perceptions of the two types of differential prices: on graduation stage (undergraduates versus graduates) and on buying behavior (regular versus occasional shoppers).

For differential prices on geographic area, perceived fairness mean is $M=4.74$, showing an attitude only slightly favorable, despite the fact the motive that justifies them are cost oriented. Fairness perception of this type of price is significantly different comparing to the other two types of differential prices: on graduation stage ($t=5.86$, $d.f.=198$, $p<0.01$) and on buying behavior ($t=4.35$, $d.f.=198$, $p<0.01$). We may conclude that hypothesis H5 is accepted, differential prices on geographic area are perceived less fair than differential prices based on customer category (on graduation stage and on buying behavior). To sustain differential prices on geographic area, the company has to offer complete and persuasive information about the reason of applying this tactic, because customers are more reluctant to accept it.

Conclusions, managerial implications and further researches

Sustainable development allows to a company to effectively allocate its resources as to satisfy the interests of all stakeholders and to assure the possibility to develop its businesses in the future. Sustainable marketing represents a new orientation focused on satisfying customers and other stakeholders' needs by offering them the best value, pursuing the society and environment interests on long term. It requires a rethinking of marketing mix variables, comparing with the traditional vision.

The price is one of the key marketing mix variables that might have an important contribution to a sustainable development. By using a fair price there is generated an ethic behavior that implies not to speculate a power position, an offer scarcity, a low information degree or other situations that may affect all the stakeholders' interests. Price contribution to sustainable development also consists of covering some environment protection taxes, offering deals for social responsible behaviors, collecting funds for ecological causes and reducing consumption of energy, of non-renewable resources or of products that might affect the environment.

Differential prices represent a tactic often used by commercial firms, being exposed to many critics by customers, regarding its fairness. In the first marketing experiment from this paper, we have demonstrated that differential prices on graduation stage are perceived fairer for a social oriented motive (*an undergraduate has a lower income comparing with a graduate*) than for company oriented motive (*once an undergraduate becomes used to the club services, he will continue his habit after finishing school and assures a steady income to cover the costs*). According to these results, a company that set differential prices has to be social oriented, to sustain the interests of underprivileged categories, by offering them lower prices, thus acting in accordance with sustainable development principles.

The way of framing the motives for differential prices has no influence on fairness perceptions, as we have demonstrated in the second and in the third experiment, these findings having implications in promotional decisions.

The fairest differential prices perceived, among the prices types analyzed, were those on customer category, both on graduation stage and on buying behavior, the difference between them not being statistically significant. Differential prices on geographic area have been perceived much less fair comparing with the previous two types. In this case, the firm

has to motivate the price difference, offering complete and persuasive information (about costs, competitors' prices) to increase customers' acceptance.

In all the three marketing experiments presented in this paper it was demonstrated that price fairness perception has a direct influence on perceived value and on buying intentions for a product. A company that set fair prices is perceived as offering a good value for money, increasing the satisfaction of its customers. In sustainable marketing, in order to justify the price to be paid, it is essential to communicate the value offered by environment improvement. Also, a fair price boosts buying intentions and may increase customers' loyalty, thus sustaining the business in the future. By offering fair prices, a commercial firm may contribute to a sustainable development, offering to its customers a good value and being social responsible.

The present paper approached an aspect of pricing policy much debated concerning its fairness that is the tactic of differential prices. In further researches it might be studied the price role as a vector of social entrepreneurship, a real interest being represented by estimating the price customers would be willing to pay for a product, in the case the obtained profit is intended to support social causes.

Another direction for a future study is done by the changes produced in retailing, that stimulated launching durable stores by some companies (e.g. Starbucks, Wall Mart, Safeway). They trade organic products, with a high safety degree, both for people health and for environment protection, use renewable energy, offer recyclable bags, set fair prices in relation to product utility. Such a vision about stores takes also into consideration the building, the atmosphere and the work force management. In this respect, it would be interesting to analyze, in a future research, customers' perceptions on price importance reporting to the other retail marketing mix components for durable stores and doing some comparisons with the traditional stores.

References

- Adams, J. S., 1965. Inequity in social exchange. In Berkowitz, L. (Ed.), *Advances in experimental social psychology* (Vol. 2, pp. 267-299). New York: Academic Press.
- American Marketing Association & Fleishman-Hillard, Inc., 2009. *Marketers' Views Remain Bright on the Topic of Sustainability, Despite Gloomy Economy*, [Online] Available at: http://sustainability.fleishmanhillard.com/wp-content/uploads/2009/06/ama-fh_sustainability_report.pdf [Accessed 19 August 2009].
- American Marketing Association, *Dictionary*, [Online] Available at: http://www.marketingpower.com/_layouts/Dictionary.aspx?dLetter=S [Accessed 20 August 2009].
- Austin, J., Stevenson, H. & Wei-Skillern, J., 2006. Social and Commercial Entrepreneurship: Same, Different, or Both?. *Entrepreneurship Theory and Practice*, 30 (1):1-22.
- Ayres, I. & Nalebuff, B. (2003), „In Praise of Honest Pricing”, *MIT Sloan Management Review*, 45 (1), pp.24-28.
- Brown, L., 2002. The eco-economic revolution: Getting the market in sync with nature. *The Futurist*, 36(2), pp.23-32.

- Campbell, M. C., 1999. Perception of Price Unfairness: Antecedents and Consequences of Satisfaction. *Journal of Marketing Research*, 36(2), pp.187–199.
- Carter, C. & Rogers, D., 2008. A framework of sustainable supply chain management: moving toward new theory. *International Journal of Physical Distribution & Logistics Management*, 38(5), pp.360-387.
- Cătoi, I. & Vrâncianu, D.M., 2007. Price fairness perceptions in Romania. *Marketing-Management, Studii - Cercetări - Consulting, AROMAR*, 4(100), pp.243-247.
- Chahal, H. & Sharma, R.D., 2006. Implications of corporate social responsibility on marketing performance: a conceptual framework. *Journal of Services Research*, 6 (1), pp.205-216.
- Charter, M., Peattie, K., Ottman, J. & Polonsky, M.J., 2006. Marketing and sustainability. [Online] Available at: www.cfsd.org.uk/smart-know-net/links/smart-know-net.pdf [Accessed 24 August 2009].
- Cox, J. L., 2001. Can Differential Prices Be Fair?. *Journal of Product and Brand Management*, 50 (5), pp.264–75.
- Diller, H., 2008. Price fairness. *Journal of Product & Brand Management*, 17(5), pp.353–355.
- Fergus, A. H. T. & Rowney, J. I. A., 2005. Sustainable Development: Lost Meaning and Opportunity. *Journal of Business Ethics*, 60(1), pp.17–27.
- Filip, A., Georgescu, B., Stănculescu, A. & Moise, D., 2009. Main Methods of studying Ecological Products Market and their Quality. *Calitatea – acces la succes, ARS Academica*, nr. 4/2009, pp. 40-43.
- Filip, A., Stancu, A., Orzan, M. & Roșca, M.I., 2008. Media coverage of corporate social responsibility in Romanian press. A comparative analysis of specialized and general Romanian newspapers. *Proceedings of the 2nd International Scientific Conference „Marketing theory challenges in transitional societies”*, Zagreb, pp. 61-67.
- Garbarino, E. & Lee, O., 2003. Dynamic pricing in internet retail: effects on consumer trust. *Psychology and Marketing*, 20(6), pp.495-513.
- Goodwin, C. & Ross, I., 1992. Consumer responses to service failure: influence of procedural and interactional fairness perceptions. *Journal of Business Research*, 25(2), pp.149-163.
- Grewal, D., Hardesty, D. M. & Iyer, G. R., 2004. The effects of buyer identification and purchase timing on consumers' perceptions of trust, price fairness and repurchase intentions. *Journal of Interactive Marketing*, 18(4), pp.87-99.
- Haws, K. L. & Bearden, W. O., 2006. Dynamic Pricing and Consumer Fairness Perceptions. *Journal of Consumer Research*, 33(3), pp.304-311.
- Jabareen, Y., 2008. A new conceptual framework for sustainable Development. *Environment, development and sustainability*, 10(2), pp.179–192.
- Kahneman, D., Knetsch, K. & Thaler, R., 1986a. Fairness as a constraint on profit seeking: entitlements in the market. *American Economic Review*, 76(4), pp.728-741.
- Kannan, P. K., & Kopalle, P. K., 2001. Dynamic pricing on the Internet: Importance and implications for consumer behavior. *International Journal of Electronic Commerce*, 5(3), pp.63–83.

- Levin, I. P., & Gaeth, G. J., 1988. How consumers are affected by the framing of attribute information before and after consuming the product. *Journal of Consumer Research*, 15 (3), pp.374–378.
- Louppe, A., 2006. Contribution du marketing au développement durable. *Revue Française du Marketing*, 208(3/5), pp.7-31.
- Popescu, I. C., Vrânceanu, D. M. & Tatu, C., 2008. The SMEs competitiveness augmenting, in the context of sustainability policies at European level, trough identification of innovative solutions for the marketing communication demarches. *Analele Universității din Oradea – Științe Economice*, 17(4), pp.1114-1117.
- Schein, A. 2002. Concern for fair prices in the Israeli housing marketing. *Journal of Economic Psychology*, 23(2), pp.213–230.
- Van den Bos, K., Wilke, H. A. M., Lind, E. A., & Vermunt, R., 1998. Evaluating outcomes by means of the fair process effect: Evidence for different processes in fairness and satisfaction judgments. *Journal of Personality and Social Psychology*, 74(6), pp.1493–1503.
- Vrânceanu, D. M., 2007. How fair is the price? An analysis on price fairness perception process in Romania and its implications on European Union integration. *Theoretical and Applied Economics*, The supplement *Romania in the European Union. The quality of integration. Growth, Competence, Employment*, vol. III, pp. 325-331.
- WCED, 1987. *Our common future. The Brundtland report, world commission for environment and development*, [Online] Available at: <http://www.un-documents.net/ocf-02.htm#I> [Accessed 20 August 2009].
- World Business Council for Sustainable Development, *About the W.B.C.S.D.*, [Online] Available at: <http://www.wbcsd.org/templates/TemplateWBCSD1/layout.asp?type=p&MenuId=Mjk0&doOpen=1&ClickMenu=LeftMenu#2>, [Accessed 19 August 2009].
- 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), pp.1–15.