Also, customers perceive RM as more fair if they can self-select options and all customer receive the same options at each point in time. We have already discussed this in the context of airline fares. As another example, consider auction mechanisms. They neither guarantee a uniform price to all customers nor offer stable prices over time. Yet most people regard auctions as "fair, " in the sense that the mechanism is transparent and customers win based purely on what they are willing to bid. Since each customer wins or loses based on his or her own self-determined bid, it is hard to argue that one is ever "cheated" out of winning as a result. If, however, the firm were to (hypothetically) perform the same allocation—that is, set prices and allocate units by customer valuation—then it is likely that customers would indeed question the fairness of the process.

Customers also appear more willing to tolerate differential prices if the product is expensive. In fact, for low-price products one can think of stable "fair" pricing as producing a beneficial equilibrium between customers and the firm, in which customers adopt a strategy of not searching for lower prices (thereby avoiding search costs) and in turn the firm adopts a strategy of not taking short-run advantage of loyal customers (thereby inducing loyal customers not to shop around). This perhaps explains the sense of "betrayal" among loyal Amazon.com customers to the price experiments. When the price of the product is high relative to search costs, however, this equilibrium is harder to sustain because customers have a much stronger incentive to comparison shop. Both parties seem to tolerate (or at least understand) "disloyal" behavior as a result.

When a firm raises prices because supply is low, it could easily be viewed as price gouging, especially for essential items. However, a firm can usually avoid this stigma if there are viable alternatives to the product and customers are made aware of these alternatives. So, for example, if demand is high for a particular resort hotel on a particular day, customers should be informed of other dates with lower prices. In this way, the *customer* makes the tradeoff between a higher price and convenience.

A sense of fairness can also be explained in terms of psychological and social factors. One theory from economics and marketing holds (see Appendix E) that customers form a reference price about an item based on past purchases, market prices and prices of comparable products. The principle of *dual entitlement,* another theory from economics and marketing [522, 275], says that customers believe that they are entitled to a reasonable price (say, the reference price) and firms in turn are entitled to a reasonable profit. Customers' views of fairness, so the theory goes, arise from these principles. Therefore, customers may perceive high prices during periods of high demand as "unfair" even though the