



GO-TO-MARKET & PRICING

The price increase is judged before it is paid.

The fairness rules license the cost-justified raise; the one exit test crowned another story. What is measured, what splits, what your contract says.

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PUBLISHED

7 August 2026

UPDATED

20 August 2026

READING TIME

16 min

WORDS

3,555

<https://isoglu.com/insights/journal/the-price-increase-is-judged-before-it-is-paid/>

Management summary	2
Why does standard pricing consulting advice rely on intuition rather than empirical tests?	3
What defines the empirical boundary of perceived pricing fairness for enterprise buyers?	3
Why do buyer fairness evaluations diverge sharply from actual purchasing decisions?	4
How does observed transaction behavior contradict conventional pricing wisdom?	4
How do buyer switching costs and renewal uncertainty interact with price increases?	6
How do existing contractual commitments determine price realization leverage?	6
When does operational inflation justify an aggressive price adjustment?	8
What does the empirical pricing literature prove, and where do data limits begin?	8
Where are the empirical boundaries of price fairness research?	9
References	10

MANAGEMENT SUMMARY

A price increase on an existing base is processed twice: first as a fairness judgment, then as a purchase decision; the record treats them differently. Fairness research licenses the cost-justified increase and condemns the demand-driven one; its own authors warn that judgments do not translate straight into behavior. The behavioral record is thinner and harder-edged: the one objective B2B estimate this piece's search found showed that a cost-rooted increase cut subsequent revenue by about ten percent at the average step. In the newest field experiment, a market justification protected retention where a cost story did not. It was a consumer setting, so the tension with the fairness rules is stated rather than smoothed. A coded corpus of 30 top-ranked vendors' public terms adds what the templates ignore: a numeric renewal cap exists three times. Scope conditions travel with every claim.

Keywords: Price increases · Price fairness · B2B pricing · Renewal terms · Customer retention

The increase email is on its fourth draft. Legal has confirmed the contract allows it, finance has confirmed the plan requires it, and the argument in the room is about wording: lead with costs, or with value, and how many days of notice make it polite. Every template online answers differently. The measured record answers a different question first: a price increase is processed twice: once as a judgment about your motive, and once as a purchasing decision: and what protects you in the first layer has not been shown to protect you in the second.

That distinction is not mine. The researchers who first tested the fairness rules flagged it themselves, in 1989. What follows assembles both layers, with their settings attached, and adds one thing nobody's template mentions: what the market's own contracts actually say.

Why does standard pricing consulting advice rely on intuition rather than empirical tests?

Ask the obvious question and page one answers with templates. One product-announcement tool's guide gives "30-60 days" as the minimum notice, and elsewhere on the same page suggests 60-90. A billing vendor calls 60 to 90 days "the sweet spot." An invoicing tool says "30-90 days is standard for trust and planning", and cites another vendor's blog as its authority. The most confident number in circulation, that 98% of software price changes succeed, exists as a podcast episode title; the page beneath it carries a different claim, and no methodology is published with it, not on the page, not at the consultancy behind it (checked, August 2026). A consultancy's takeaways page states that the churn fear "is often unfounded": from its own client campaigns, with nothing a reader could check.

The closest thing to a sourced treatment, an essay on pricing restraint by Utpal Dholakia, argues from the fairness literature that B2B customers "have long memories" and retaliate quietly. It is the best of the layer, and it stops at the door this piece walks through: it carries the judgment evidence, and none of the behavioral record below.

What defines the empirical boundary of perceived pricing fairness for enterprise buyers?

The founding measurement is Daniel Kahneman, Jack Knetsch and Richard Thaler's 1986 survey work, and its abstract states the rules in two sentences:

In customer or labor markets, it is acceptable for a firm to raise prices (or cut wages) when profits are threatened and to maintain prices when costs diminish. It is unfair to exploit shifts in demand by raising prices or cutting wages.

The vignettes put numbers on the boundary. A hardware store raising snow-shovel prices after a blizzard: 82 percent called it unfair. A landlord raising rent to cover genuine cost increases, on a tenant who would have to move: 75 percent called it acceptable. The principle they distilled: dual entitlement: grants the customer the terms of the reference transaction and the firm its reference profit. Cost pass-through is the licensed shape of an increase; harvesting demand is the condemned one.

The boundary has held up. A 1989 test by Joseph Urbany, Thomas Madden and Peter Dickson found cost justification "legitimizes" an increase in customers' eyes. A meta-analysis by Tarrahi, Eisend and Dost across the fairness studies confirmed the asymmetry: unjustified motives damage fairness more than cost justifications help it, and added a caution the advice layer never carries: across studies, the size of the change explained fairness better

than the motive did. And the boundary is not only a consumer reflex. The one business-to-business test this piece's search found: Boyd and Bhat, 1998, professional services: has knowledge of the seller's costs shaping fair-price judgments there too: though notably, last year's price did not. And professional buyers are not immune to consumer-style biases generally: a series of experiments by Kienzler, Kowalkowski and Kindström found experienced purchasing professionals carrying the flat-rate bias: a price-plan-choice effect, not a fairness one: into business services.

Why do buyer fairness evaluations diverge sharply from actual purchasing decisions?

Here is the caveat the fairness researchers wrote themselves. Urbany and colleagues, having confirmed the fairness prediction, reported that fairness perceptions were not significantly related to behavioral intentions in their test. Judged unfair and paid anyway is a real outcome. So is judged fair and quietly re-shopped.

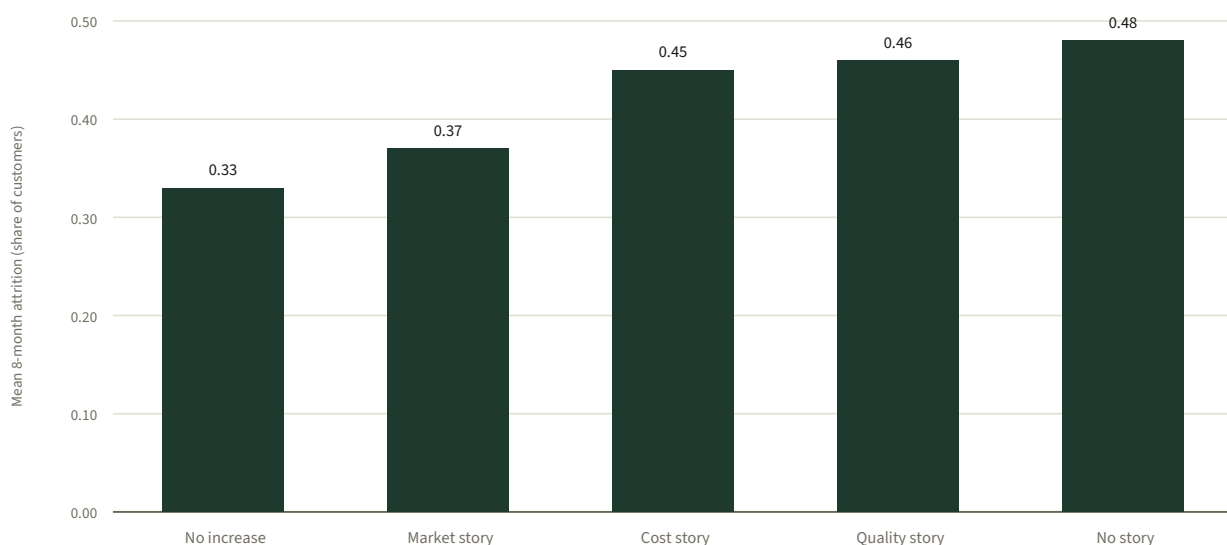
Honesty requires one more step. Most of what follows is consistent with an even simpler reading: size drives the judgment and the behavior alike, and the story you attach matters less than either. The evidence cannot yet separate "two layers" from "one cascade", which is exactly why an operator should measure them separately rather than assume the first protects the second.

How does observed transaction behavior contradict conventional pricing wisdom?

The one causal estimate from objective B2B transaction data that this piece's search found (August 2026) is Friess and Kassemeyer's. A chemical goods supplier passed genuine raw-material cost increases into a worldwide portfolio price increase; the authors compare 483 repriced customers against 483 randomly drawn customers without one, with matched samples in their robustness checks and a selection correction throughout. The finding, in their words: higher portfolio price increases, "although rooted in an increase of upstream costs," did more damage to customers' subsequent purchase revenue than lower ones. Their own worked example: at this sample's average increase of 2.1%, the model implies a 10.6% decline in subsequent revenue with the customer, averaged across cultures. Support for the size effect is partial: the authors' word, and the shape of it matters: the harm deepens with the increase's magnitude, and at the smallest steps the estimated effect is statistically indistinguishable from zero. One firm, one industry; the numbers travel no further than that. Their design also could not test justification: the increase was cost-rooted throughout, and the authors read that as the milder case, proposing that unjustified increases would cut deeper still.

The newest field experiment tested the stories themselves, and the fair one lost. In a 15-cell experiment at a Canadian self-storage provider: households renting units by the month, plus a small business segment, and read here in the dissertation version of a study now in press at the Journal of Marketing: Hoorsana Damavandi randomized justification types across 1,655 customers, 1,477 of whom received real increases. An increase raised the hazard of leaving over eight months by 47.7%. Customers given a market justification ran an exit hazard about a third lower than those given no story at all ($b = -.37$, $p = .007$). The cost story: the one dual entitlement licenses: was statistically indistinguishable from saying nothing.

Figure 1 The story that retained was not the licensed one



Damavandi (2024), Figure 3: mean eight-month attrition by announcement arm; dissertation version (n=1,655) of a study in press at the Journal of Marketing (which reports n=1,626). One Canadian self-storage provider, monthly consumer subscriptions with a small business segment; increases of 5% and 15% pooled per arm. Directional evidence from one setting; not a portable rate.

Hold the tension honestly: in the fairness rules, a market-conditions story is the condemned motive: the snow shovel: yet in the one experiment on realized exits, it retained best. The dissertation's own account runs through switching costs: the market story helped most where alternatives were scarce. A further reading, mine and untested: buyers may hear "market conditions" as everyone-is-repricing rather than as a demand grab: Lisa Bolton, Luk Warlop and Joseph Alba showed buyers systematically underestimate inflation and overattribute price differences to profit: though the cost story is the more literal inflation cue and it did nothing, which is the reading's own problem. Whether any of this transfers to professional buyers with benchmarks in hand is exactly the test that does not yet exist.

Two more results bound the behavioral picture. Loyalty is not armor: in survey and experimental work by Christian Homburg, Wayne Hoyer and Nicole Koschate, repurchase intentions after an increase were driven by its magnitude and by the perceived fairness of the motive, with higher satisfaction buffering the damage: intentions, a first-layer instrument. In Friess and Kassemeyer's transaction data, relationship characteristics did not moderate the revenue harm at all. Both results are on the table; only one of them is about realized revenue. And the base's memory has been measured from the other direction: Eric Anderson and Duncan Simester's 28-month randomized experiment: about customers who later saw the same item cheaper, so read it as evidence about repricing generally, not increases: found the damage delayed and concentrated among the firm's best customers. Repricing the base is a relationship event with a lag. That is the fear with a tape behind it.

How do buyer switching costs and renewal uncertainty interact with price increases?

Why do prices stick at all? The largest direct answer comes from the euro area's central banks: across the programme's 11,000-plus firms, the top-ranked reason where the question was asked is the customer relationship itself: implicit contracts, the wish not to jeopardize a long-run relationship, ranked first; explicit contracts second. The survey's authors read that answer through Arthur Okun's old distinction: higher costs are an accepted rationale for rising prices, while increases in demand are viewed as unfair: their gloss, and the firms' scores sit under it. The German arm needs its own sentence: its shorter questionnaire never offered the implicit-contracts option, and fixed nominal contracts ranked first there: a different instrument as much as a different country.

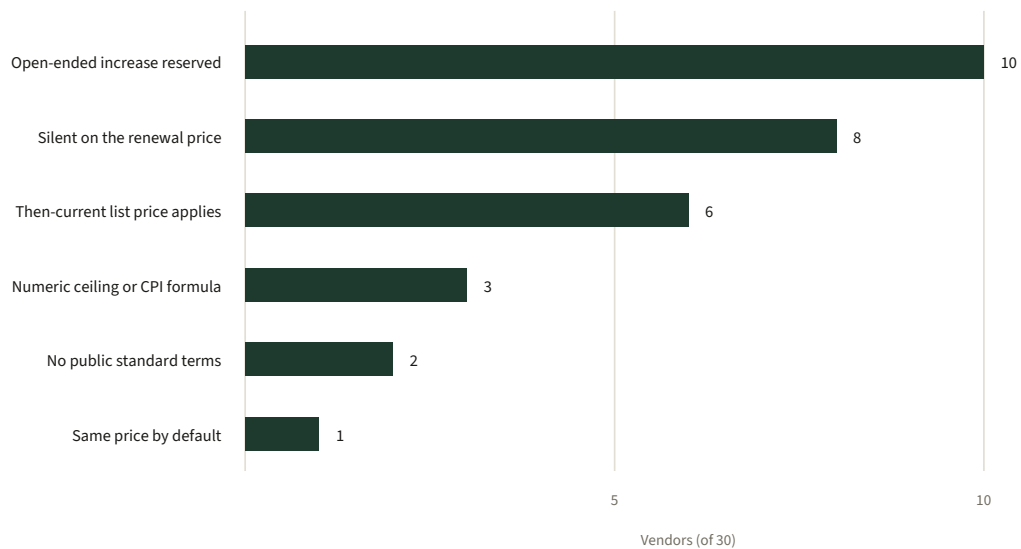
One occasion puts every one of these mechanisms in the same quarter: an acquisition, where harmonising the two price positions is item three on the measured integration-depth scale and the trade that harmonisation makes has its own price.

Moving a price also has a measured internal cost. Mark Zbaracki and colleagues followed one large U.S. industrial manufacturer through a full repricing cycle in 1997 and priced the process itself: the managerial work ran more than six times, and the customer-facing work: communication and negotiation: more than twenty times the physical cost of changing the lists. At that firm, in that year, the total came to 1.22% of revenue and just over a fifth of net margin. One firm, one year; the structure travels, the constants do not. The point survives translation into 2026: one practitioner's claim that repricing cadence has compressed from eighteen months to six is his own un-audited number, but if anything like it is true, the organisational bill above is being paid three times as often. Under pressure the temptation inverts into harvesting: in the 2008 crisis, Simon Gilchrist and co-authors found liquidity-constrained firms raising prices while unconstrained rivals cut. What that did to their customer bases afterward is not a question their data follows.

How do existing contractual commitments determine price realization leverage?

Underneath the judgments and the behavior sits a document that rarely gets read before the renewal notice arrives. For this piece I coded the public standard terms of the 30 top-ranked products on G2's Best Software 2025 list: an award list, so a top-of-market frame: for what they actually say about price at renewal. The full record is published with this essay: the verbatim clauses with their URLs, alongside the coded table and the frame, so every cell below can be checked; the misses are zero.

Figure 2 The cap you assume is mostly not written down



Author's corpus: renewal-pricing clauses in the current public standard terms (ToS/MSA) of the 30 top-ranked products on G2's Best Software 2025 list, vendors deduplicated, coded 2026-08-07 with verbatim clauses archived. Public written defaults: negotiated agreements override them, and a written right says nothing about how often it is exercised.

Three of thirty carry a numeric ceiling: the greater of 5% or CPI at one, 5% plus CPI at another, 7% at a third, that last escapable with sixty days' notice. Ten reserve an open-ended right to raise. Eight say nothing about the renewal price, and silence cuts both ways: inside an automatic renewal on unchanged terms it can read as the old price holding, which puts several of the silent eight closer to the one explicit same-price default than to the open-ended ten. Notice periods, where any number exists: ten of thirty: run from zero days ("effective immediately upon notice") to ninety. Five vendors state that promotional pricing dies at renewal; exactly one promises to honor it. The template debate about whether polite notice is 30, 60 or 90 days is a debate about a number most of this paper does not contain. That is an observation about mismatch, not a refutation of politeness, but it relocates the first question. Before wording, read the clause: yours, and your vendors'.

Table 1 Judged, then paid: what is measured where

The layer	What is measured	Where it stops
The judgment	Cost-justified increases accepted, demand-driven condemned; size explains fairness better than motive	Households and one B2B service test; judgments, not purchases
The behavior	A cost-rooted B2B increase still cost revenue, rising with magnitude; the licensed story failed its one retention test, the market story worked	One chemical supplier (quasi-experimental); one consumer subscription provider
The bill	Managerial and customer-facing repricing costs dwarf the physical cost	One industrial firm, 1997; structure, not constants
The paper	3 of 30 public standard terms cap the renewal increase; notice numbers mostly absent	Written defaults, one award-list frame; authorization, not exercise

Author's own assembly of the cited studies and corpus; each row's conditions are in the text. Not a finding of any single source.

When does operational inflation justify an aggressive price adjustment?

A fair reader objects: most increases go through. The strongest version of the objection is in my own corpus: sophisticated buyers keep signing terms with three caps in thirty, which reads as revealed preference that realized increases are tolerable. Partly conceded, with precision: the corpus measures what is authorized, not what is exercised, and caps get spent where negotiation actually happens: the enterprise tier my public-terms frame explicitly cannot see. Where outcomes are measured, the concession is narrower than the objection wants: in the chemical-supplier data the average effect, in the simplest model, is not statistically distinguishable from zero: the measured harm arrives with size, and deepens with it.

The window matters as much as the rule. Through 2021–23, increases were ambient across the macroeconomic environment. That window is the boundary of this piece's own claims, and the tone of HBR's own mid-2026 treatment, an interview titled "Is This the Time to Raise Prices?", already reads as warning rather than how-to. And the euro-area firms themselves supply the closing concession: they do raise on costs. The fear that keeps prices sticky is about the other motive. The record does not say don't raise. It says the costs are real, delayed, concentrated where the relationship is deepest, rising in the size of the step: and only partly controllable by the words around it.

What does the empirical pricing literature prove, and where do data limits begin?

Table 2 The increase, designed against the record

The decision	What the record says	Evidence status
Size before story	In the B2B revenue data the harm deepens with magnitude, and in the fairness meta-analysis size outweighs motive, but the exit experiment splits it: there the percentage was not significant while the story was	Reached for revenue, split for exits: size the increase knowing which outcome you are protecting
The justification	The one realized-outcome test inverted the instinct: market story retained, cost story didn't; consumer setting, no B2B test exists	Informed: choose deliberately, knowing the state of play
The paper	Read the renewal clause, notice number and promo-expiry language: yours and your vendors'; minutes per document, and usually a surprise	Informed: contractual hygiene; in the one B2B fairness test, last year's price didn't drive judgments, so know the paper for what it binds, not for what it signals
Timing, fencing, staging	Whether announcement design beyond size and story changes realized B2B outcomes	Open: no tape exists as of August 2026

Author's own synthesis of the cited evidence; status column reflects the state of the record as of August 2026.

Keep the record afterwards, and read it as a record: a before-and-after glance at your own billing has no control group, and the one study that could say something causal needed a matched comparison and a selection correction to say it. What you can do on Monday costs an hour: pull your standard terms and your top vendors', and read four things: the renewal clause, the cap if any, the notice number if any, what happens to discounts. Then size the increase by segment, against the band the market already put you in, before anyone drafts a sentence of justification.

The email will get written either way, and the base will do with it what the record says bases do: weigh the motive, absorb the size, and remember both longer than the quarter that needed the deal remembered its discount. Which of the two moves your own accounts hardest is precisely what no tape yet settles. The template told you which weekday to send the email. The measured record tells you what you were actually deciding, and most of it was decided before the wording meeting started.

Where are the empirical boundaries of price fairness research?

Boundary. Fairness and exit evidence constrain the decision, but they do not predict churn for every customer base. Stage the message and measure response by segment rather than importing a single elasticity.

Evidence base. The analytical frame also draws on these additional sources: Anderson and Simester 2010; Bolton et al. 2003; Boyd and Bhat 1998; Fabiani et al. 2006; Friess and Kassemeyer 2024; Gilchrist et al. 2017; Homburg et al. 2005; Kahneman et al. 1986; Kienzler et al. 2021; Stahl 2005; Tarrahi et al. 2016; Urbany et al. 1989; Zbaracki et al. 2004. The links identify the exact works; they support the mechanisms and boundary conditions discussed here, not every claim in isolation.

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END OF ESSAY

HOW TO CITE THIS ESSAY

Isoglu, S. (2026, August 7). The price increase is judged before it is paid. Sinan Isoglu.
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