

Algorithmic Price Discrimination and Consumer Fairness Judgments in

AI-Enabled Personalized Pricing

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03/14/2026

Abstract

Artificial intelligence enables firms to replace uniform pricing with individualized price offers based on predicted willingness to pay. While economic research emphasizes efficiency and profit optimization, limited attention has been given to how consumers evaluate the fairness of algorithmically determined prices. This paper addresses that gap by integrating pricing fairness theory with research on algorithmic transparency and data governance. Drawing on distributive and procedural justice frameworks, the model conceptualizes AI-enabled personalized pricing as a context in which both unequal outcomes and opaque decision processes shape fairness judgments. The framework advances four propositions. (1) AI-enabled personalized pricing will be perceived as less fair than uniform pricing when consumers are aware that different customers receive different prices for identical products. (2) Perceived procedural opacity in AI pricing systems will negatively affect fairness judgments independent of outcome favorability. (3) Transparency disclosures explaining the logic of AI-driven pricing will attenuate but not fully eliminate negative fairness perceptions associated with individualized prices. (4) Perceived unfairness in AI-enabled personalized pricing will reduce trust and increase intentions to avoid the firm relative to uniform pricing structures. This research extends fairness theory into algorithmic pricing contexts and demonstrates that efficiency-driven technologies may generate relational costs through perceived injustice. Managerially, the findings suggest that firms implementing AI pricing must align technical optimization with clear governance and communication practices to mitigate fairness-based backlash and protect long-term customer relationships.

Keywords: AI pricing, distributive fairness, algorithmic transparency, consumer trust, price discrimination