

# SUMMARY: PERSONALISED PRICING IN GERMAN E-COMMERCE

As part of a study that examined personalised pricing strategies over two periods of time, the Project Team “Market Watch Digital World” at the Consumer Association of Brandenburg (Verbraucherzentrale Brandenburg) looked at how prices are set according to the customer’s end device and location. The team monitored the prices of 16 German online retailers plus Amazon and sellers on Amazon Marketplace. It found no evidence of personalised pricing for an overwhelming majority of retailers that were part of the study. Two online retailers were found to be setting prices on the basis of location. On Amazon and Amazon Marketplace, prices differed according to the end device being used. However, these price differences were found to be due to other factors, such as highly dynamic pricing, different product presentations on different devices and different costs of delivery.

## PRICES IN MUNICH DIFFERENT TO THOSE IN BERLIN

The online car parts retailer atu.de varied prices of eight percent of the articles that were monitored on the basis of location. On the website of the online DIY chain obi.de, just over half (52 percent) of prices were affected. In the majority of cases, the online saving for customers was less than ten percent compared with the higher price. The biggest price fall was 38 percent (25 euros). ATU customers in Marburg secured a lower online price more often. The winners among obi.de customers tended to be those with an IP address in Berlin. However, no reliable pattern of price reductions based on location could be discerned: sometimes customers in Berlin benefited, sometimes those in Munich and sometimes those in Marburg. According to OBI, its pricing is determined by its business model consisting of branches and franchises.

## DIFFERENT PRICES ON DIFFERENT DEVICES

On Amazon.de and Amazon Marketplace, just over a third of the articles that were monitored had different prices. The study covered 297 bestselling beauty products, electronic/photographic items and toys. Toys showed the most frequent pricing anomalies, which affected 61 percent of all articles examined. The ascertained price differences were observed only for a very small proportion of sellers on Amazon Marketplace (five percent). The difference between prices was also extremely low on average. For smartphones, price differences rose up to 14 percent or 45.99 euros in specific cases, depending on whether the search was initiated from an Android or an iOS device. iPads and iPhones had a higher likelihood to display lower prices (68 percent). The assumption that iOS users are a customer group with greater purchasing power that is shown higher prices than, for example, Android users was thus not confirmed by this study.

## **FREQUENT CHANGES, PRICE PRESENTATION AND DELIVERY COSTS LEAD TO PRICE DIFFERENCES**

It is difficult to distinguish between the effects of personalised pricing and dynamic pricing given that prices in e-commerce change significantly and frequently. Moreover, complete product information, such as colour options, model variations and technical details, are often not displayed on mobile devices. This abridged presentation results in differences in how prices are shown on the devices. The way in which delivery costs are presented on the end devices used in the study also varies, giving the impression of different prices on different end devices.

## **PRICE DIFFERENTIATION LEADS TO DISSATISFIED CONSUMERS**

The variation in prices in e-commerce – including dynamic pricing strategies, location-based pricing, different presentation on different end devices and the use of delivery costs as a means of ratcheting up prices – means that customers have little transparency. This results in uncertainty, loss of trust and resentment among consumers and ultimately does the most harm to the e-commerce sector itself as can be seen from the complaints received by the German consumer associations and from previous studies.

### **Further information**

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