

SUMMARY: DYNAMIC PRICING IN GERMAN E-COMMERCE

Between 31 January and 5 March 2018, the Project Team “Market Watch Digital World” at the Consumer Association of Brandenburg (Verbraucherzentrale Brandenburg) examined a total of 1,133 product prices of 16 German online retailers. The team found that dynamic pricing is currently a standard practice of German online retailers.

A BROAD RANGE OF PRICES

The retailers included in the study used dynamic pricing for more than a third of their goods, although the approaches varied from sector to sector. All of the retailers using dynamic pricing both raised and lowered their prices.

FROM STABLE PRICES TO DAY-BY-DAY CHANGES

The retailers that adjust their prices do so on the basis of different strategies. The vast majority (60 percent) of prices were changed between one and three times during the 34-day observation period. However, 40 percent of prices were changed more frequently. In one extreme case, the DIY chain Obi altered its prices for selected goods almost on a daily basis.

TIMING IS KEY TO SECURING A ‘GOOD’ PRICE

Dynamic pricing can involve significant price shifts, with individual articles varying by as much as 105 percent compared with the average product price. By way of illustration: customers were able to save up to 120 euros on a pair of trousers from Zalando, depending only on the day on which they bought them. The possible saving was even higher on a Samsung Galaxy S8 smartphone from online retailer Mediamarkt, where the difference between the highest and the lowest price was 220 euros.

FREQUENT CHANGES WITH SIGNIFICANT PRICE SHIFTS ARE FAIRLY RARE

In some cases, retailers changed their prices significantly and frequently. The price of a set of tyres from online retailer Tirendo, for example, changed every other day by up to a maximum of 90 euros.

RETAILERS RAISE AND LOWER THEIR PRICES AT SPECIFIC TIMES

At online retailer ATU, customers were able to buy car batteries and tyres at lower prices in the afternoon than in the morning of the following day, achieving savings of up to 30 percent. Online pharmacies DocMorris and Sanicare both raised and lowered prices every day for the majority of the monitored goods. While savings could be achieved on some articles, other products became more expensive. The price reductions were on average significantly smaller than the average price increase.

PRICE EXPERIMENTS RESULT IN DISAPPOINTED CONSUMERS

Although only a minority of the prices examined were affected by the aforementioned changes, consumers are faced with a highly unreliable pricing situation. The alternative for consumers would be to continuously track prices over a longer period, but that obviously entails a lot of effort. Dynamic pricing also makes it harder to gain a realistic sense of how high (or low) prices should be. The lack of transparency causes consumers to lose trust in e-commerce and, in the worst case, to stop using those online retailers that frequently adjust their prices.

Further information

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