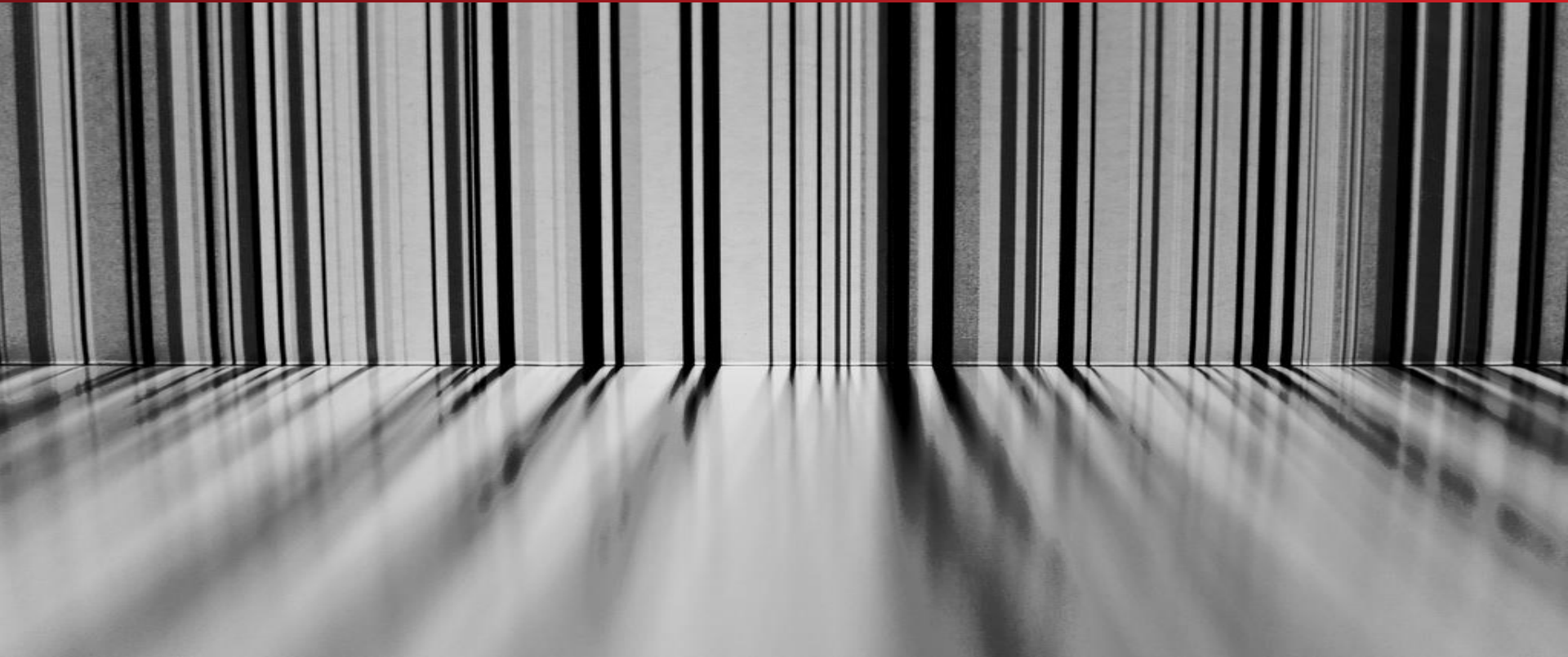




# Personalised Pricing in the Digital Era

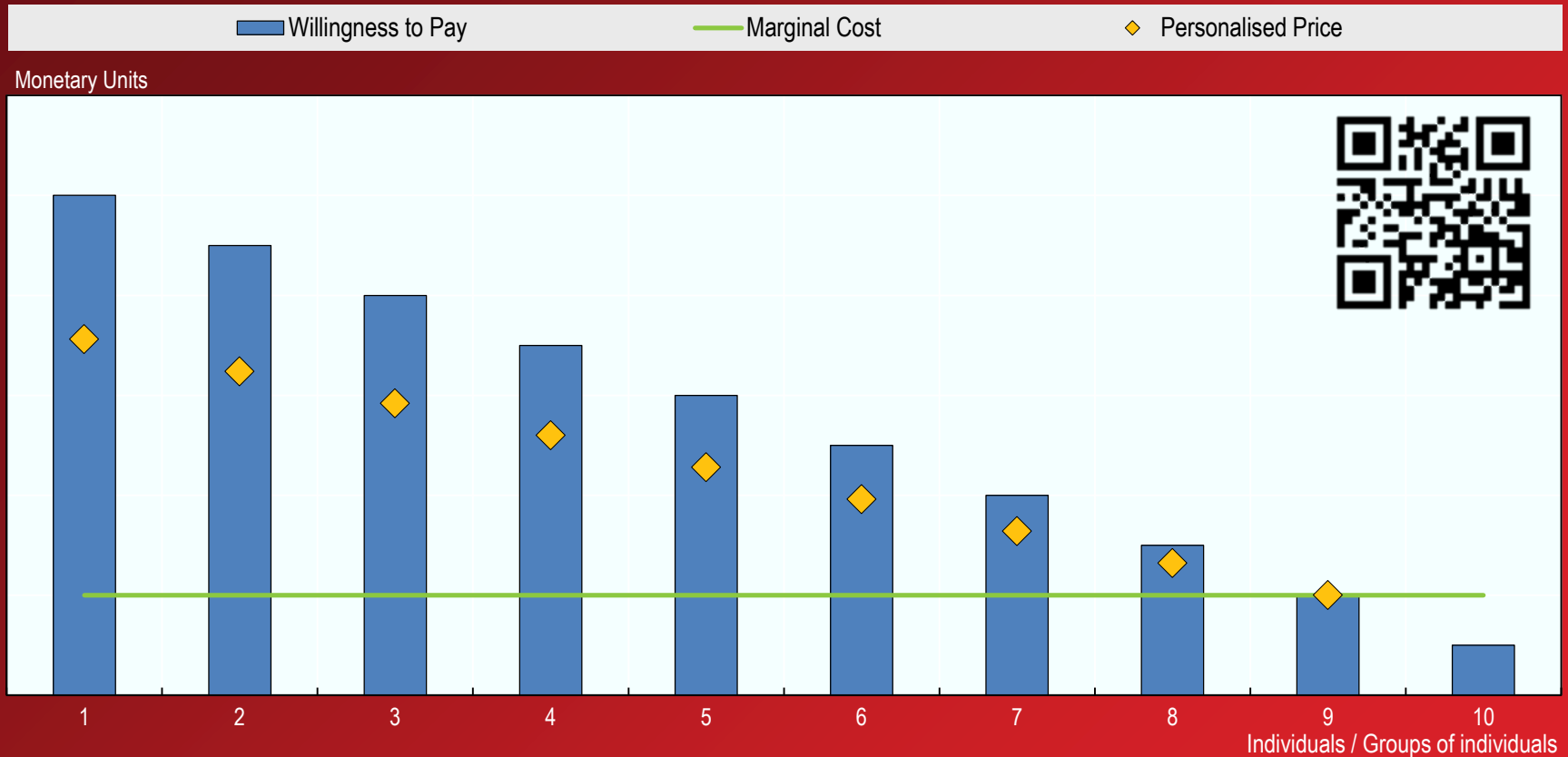
Antonio Capobianco – OECD Competition Division





# What is personalised pricing?

- Practice of price discriminating individual consumers (or small groups of consumers) based on their personal characteristics and conduct.



**Note: Prices are not necessarily equal to the willingness to pay!**



# What is **NOT** personalised pricing?

## ❌ **A/B Testing**

- Testing different price points

## ❌ **Targeted advertising**

- Tailoring personalised adverts to consumers

## ❌ **Price steering**

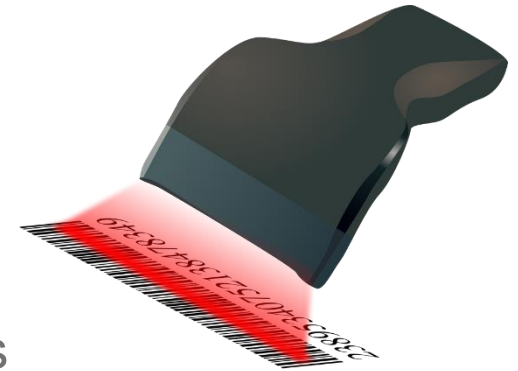
- Manipulating search results to display more expensive products to consumers with higher willingness to pay

## ❌ **Dynamic pricing**

- Fast price adjustments over time to supply and demand

## ❌ **Other pricing strategies**

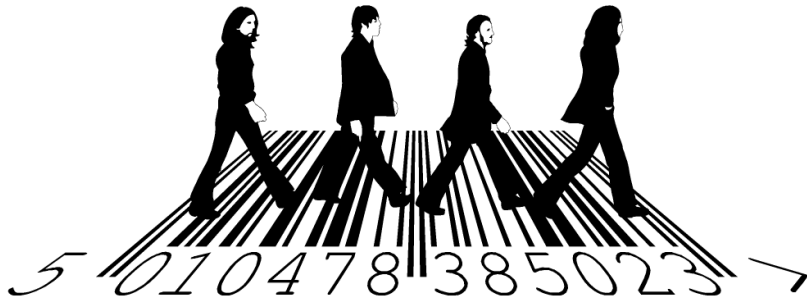
- E.g. Limited time deals, misleading claims that there are few products available, etc.



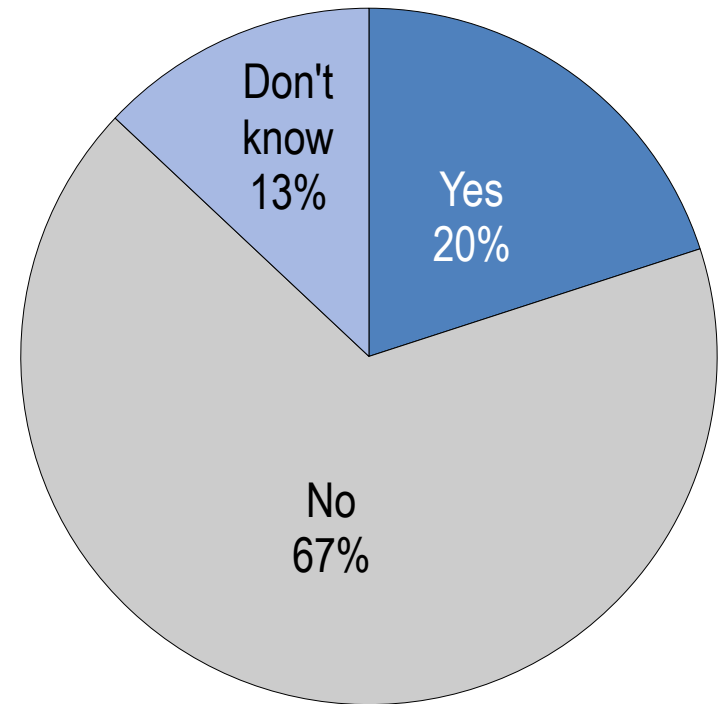


# Is there evidence of personalised pricing?

- **Limited evidence:**
  - Some anecdotal cases
  - A few empirical studies have detected some prevalence of personalised pricing in some sectors (booking, e-commerce...)
- **Conditions for personalised pricing:**
  - **Identification of consumer valuation**
  - No arbitrage
  - Element of market power



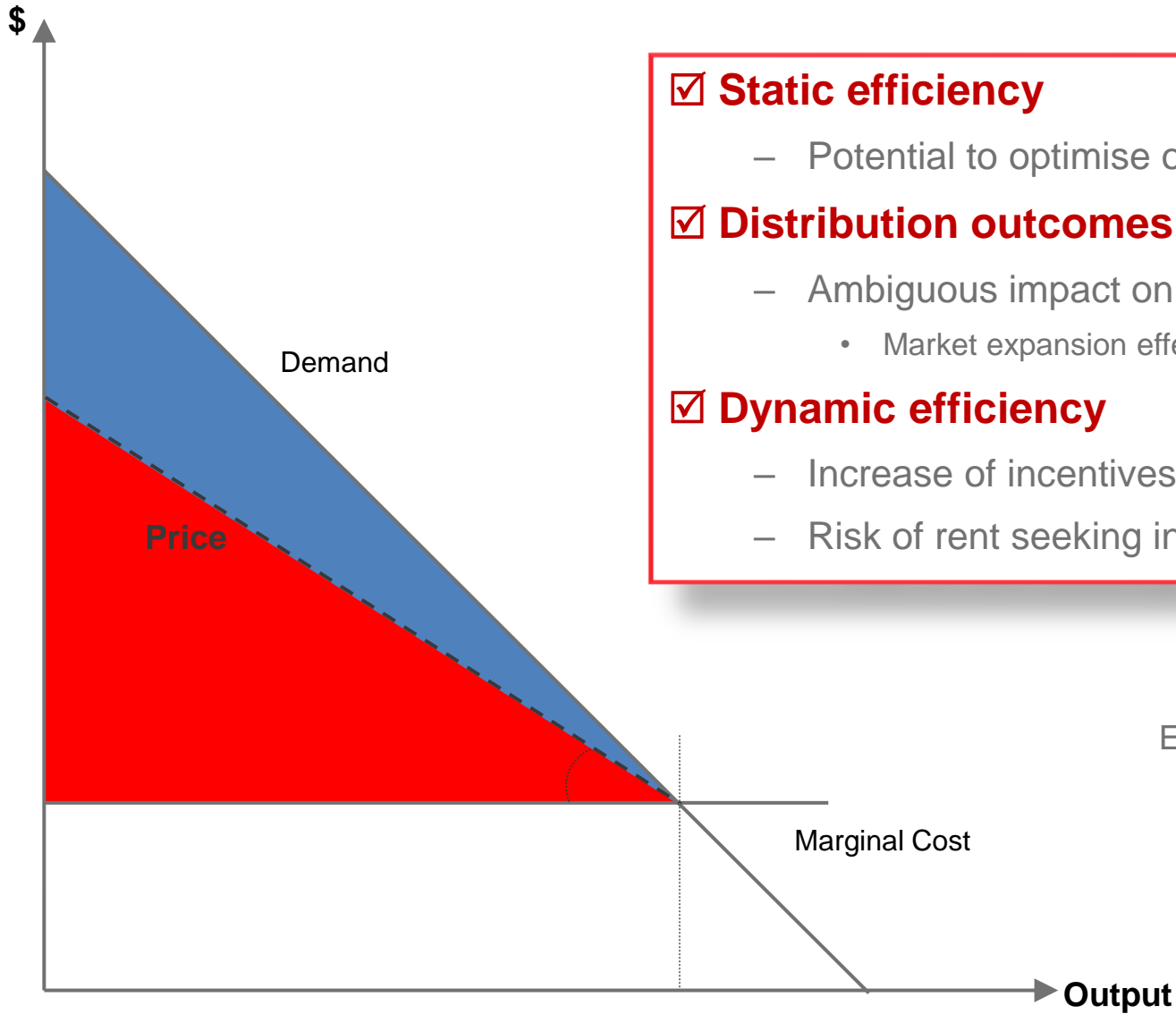
Consumers who had bad experiences related to personalized pricing in the EU



*Note:* Among 9 798 respondents with some understanding of personalised pricing  
*Source:* European Commission (2018)

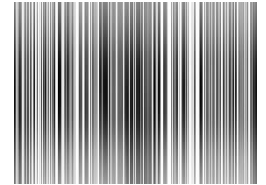


# What are the economic effects of personalised pricing?



## ✓ Static efficiency

- Potential to optimise output



## ✓ Distribution outcomes

- Ambiguous impact on consumer welfare
  - Market expansion effect vs appropriation effect

## ✓ Dynamic efficiency

- Increase of incentives for innovation
- Risk of rent seeking in some industries



Effects may depend on the market structure!



# How is personalised pricing perceived by consumers?

- Literature and surveys suggest that many consumers have a negative attitude towards personalised pricing and may perceive it as unfair.

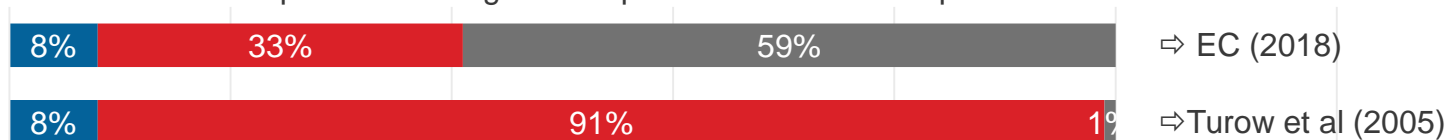


## Risk of trust in online markets

- However, personalised appears to be better accepted by consumers when:
  - It is implemented through personalised discounts
  - It is combined with product versioning (2<sup>nd</sup> degree PD)
  - Consumers participate in the price-formation process (online auctions)

### Consumer response to personalised pricing

■ Positive response   ■ Negative response   ■ Neutral response





# What policy tools can address the risks of personalised pricing?

## Consumer protection

- Unfair trade practices
- Transparency obligations



## Competition law

- Exploitative abuse
- Exclusionary abuse



## Data protection

- Transparency obligations
- Consent requirements



## Fundamental rights

- Anti-discrimination rules (gender, race, religion...)



*What are the most adequate policy tools to deal with personalised pricing?  
Do they overlap or can they complement each other?*



# Personalised Pricing in the Digital Era

Antonio Capobianco – OECD Competition Division



*Thank you!*