

Proper pricing

As fluctuating Oasis ticket prices spark outrage, experts explore how dynamic pricing is shaping our spending. *Words: Elizabeth Bennett*



If you've ever been stung with an expensive flight at Christmas or an overpriced hotel in August, you'll know full well how costs can fluctuate throughout the year when it comes to travel spending.

However, following the furore about Oasis tickets leaping from face values of between £65 and £250 to more than £400, it's becoming clear how raising prices based on demand — the dynamic pricing model — is used in different industries.

WHAT'S DYNAMIC PRICING?

"Dynamic pricing is a strategy where businesses adjust the prices of their products or services in real-time based on factors including demand, supply, customer behaviour, competitor pricing, and market conditions," explains Dr Supriya Kapoor, assistant professor in finance at Trinity Business School.

The idea is nothing new. But, as technology gathers pace, it's being more widely implemented. Dr Supriya says: "The integration of big data analytics, machine learning, artificial intelligence (AI) and cloud computing — removing the need for extensive in-house IT infrastructure — has made these pricing strategies more efficient, precise, and scalable."

WHICH BUSINESSES USES IT?

Beyond travel and ticket-booking websites, online retailers such as Amazon may change their prices multiple times a day, leveraging data analytics and machine learning to

stay competitive and maximise sales. However, the development of digital price tags means that bricks-and-mortar stores can also get involved.

"Supermarkets have always adjusted their prices," observes Dr Alex Gunz, lecturer at the Alliance Manchester Business School. "But some are now experimenting with digital price displays so they can now do it even faster. Buns about to go off? Offer a quick discount. Water selling too quickly on a hot day? Maybe bump the price up a little."

We may be used to happy hour at our local pub or bar, but dynamic pricing may produce an opposite effect. The pub chain Slug & Lettuce, for example, announced last year that it would introduce the model at peak hours and over weekends at select branches.

HOW DOES DYNAMIC PRICING AFFECT CONSUMERS?

Dynamic pricing naturally benefits the business more than the consumer. For some people, the model can cause uncertainty and anxiety when making purchases, which can lead to procrastination and time-wasting or ill-advised impulse buys.

CAN YOU BEAT IT?

Savvy customers can snag bargains by monitoring prices during off-peak times or promotional periods, notes Dr Supriya. Price comparison sites such as Skyscanner and price-tracking platforms like PriceZag can

alert users when prices drop. With dynamic pricing becoming ever more prevalent, these tools will be increasingly important.

"As technology continues to evolve the ability for companies to adjust prices in real-time is likely to become more refined and widespread," notes Dr Supriya.

In fact, the tech is already getting smarter. Dr Alex highlights the growth of customisable pricing, in which a business offers two people different prices for the same thing at the same time, based on who or where they are: "A web sales company can look at your IP address to know your physical location, your search history to see if you're a bargain hunter, and your purchase history to see if you return things often, and then customise your price based on that."

WILL DYNAMIC PRICING BECOME THE NEW NORM?

Dynamic pricing is an ethically murky area and not one with which customers naturally feel comfortable. As much as businesses want it to stay, consumers' voices will play a part.

Indeed, we're already seeing public opinion have an effect, with Oasis pledging not to use it for the sale of their extra shows. The band, noted an official statement, "at no time had any awareness that dynamic pricing was going to be used. All parties involved did their utmost to deliver the best possible fan experience, but due to the unprecedented demand this became impossible to achieve."

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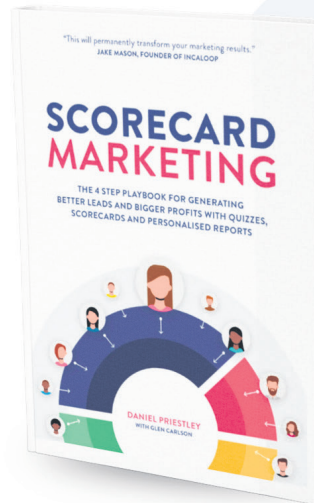
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Daniel Priestley
Co-Founder of ScoreApp



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