

New technology means that the **amount you pay** depends on where you live, the time of day you buy, and your shopping history. ::

Brave New Retail World of Dynamic Pricing

BY TROY ANDERSON

NOT SO LONG AGO, SHOPPING was easy.

Goods had a set price, and if customers liked the price, they bought the item. If they didn't, they went elsewhere.

Today, prices can change from hour to hour — even minute to minute. They can be higher or lower, depending on your ZIP code, your shopping history, and even what kind of computer you use. Known as dynamic pricing, more businesses are employing this algorithm-based technology that often results in customers paying vastly different prices for the same products and services.

"A lot of people don't know about it yet, but it's happening," says Michelle Madhok, an online shopping expert and founder of SheFinds.com, a New York City-based deal site.

This pricing strategy has been used by the airline and hotel industries and online retailers such as Amazon.com for years. In fact, anybody perplexed over airline



SMARTPHONE = SMART SHOPPER When comparison shopping, a simple trick like using a cellphone for finding the best price can save big.

fare fluctuations has experienced dynamic pricing.

Armed with a vast amount of information about consumers, e-commerce companies adjust prices based on where customers live, and their IP address, their browser history, their spending habits, and a host of other factors.

ARMS RACE

This past Christmas shopping season witnessed a growing number of retailers adopting this complicated pricing model.

"There is an arms race among retailers around dynamic pricing and

price intelligence," says Eric Best, who is chief executive officer of Mercent, a Seattle-based company that provides e-commerce marketing software to retailers.

This escalation is largely a result of the growing role online retail giant Amazon and the search engine Google are playing in determining where people decide to make a

purchase. "While the order may not flow directly through Google or Amazon, consumers began shopping by searching for products at one of those two websites," Best says. "They do that 40 percent of the time before making a purchase."

Z. John Zhang, a professor of marketing at The Wharton School of Business at the University of Pennsylvania, says that while electronic



price tags at brick-and-mortar retailers are still fairly rare today, this is "essentially where the retail industry is going." Soon, electronic tags at walk-in stores will allow prices to change not only day to day, but hour to hour — much as they now do online. And they may charge different customers different prices.

DATA MINING

Already, many consumers have wallets, or key chains, bulging with loyalty or discount cards from grocery and other stores.

These cards, when swiped at the checkout stand, provide businesses with a vast amount of data about a customer and their spending patterns, Zhang tells Newsmax.

Some companies are considering,



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or may have incorporated already, embedded radio-frequency identification (RFID) chips in these cards, Zhang says. So, when a customer walks in the door, scanners can read the chip and provide the business a wealth of information about the shopper, Zhang says.

"They can easily size you up and as you go through the aisles, may offer you different deals to get you to buy their products — either charging you more or less," Zhang says.

SOAKING THE RICH

Zhang says dynamic pricing doesn't necessarily mean shoppers will be charged more overall. While those who can afford to pay more

may be charged a higher price, those who are less affluent will likely be charged less, Zhang says. "This means for those people who don't have a lot of money and are price sensitive, dynamic pricing presents a tremendous opportunity for them to buy different products that they normally wouldn't buy," he adds.

The pace in which retailers and other businesses adopt dynamic pricing will mirror how comfortable people are with the changing

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shopping landscape, Best says. "With companies like Groupon.com and even email marketing blasts that major retailers send out weekly, all of these things together are

educating shoppers that a retail price is really, at the end of the day, just a suggestion," he says. □

TRICKS TO GET THE BEST DEAL

As businesses employ increasingly sophisticated technologies to extract the most money from shoppers, Michelle Madhok says the "digitally fluent" are fighting back with shopbots (comparison price search engines) and other cost-saving measures. Madhok, an online shopping expert, says websites like Shopping.com, PriceGrabber.com, Shopzilla.com, ShopStyle.com, and Pronto.com can all be used to get fantastic bargains on just about any good or service.

When you're looking for a specific item, you can set a price alert for it on these sites. When the price drops to a threshold you determine, you get an email or text message.

Even if you don't buy the item online, you can print the price and take it to your local store as a bargaining chip. This strategy works very well on large-ticket items such as electronics and appliances.

When using a shopping site, if you live in an affluent area, Madhok recommends entering a ZIP code from an area "where it's cheaper to live." This often brings a cheaper price.

"I have a house out on Long Island where things are cheaper, and I put in that ZIP code," Madhok says.

Another trick is for consumers to clear their computer cookies before making a purchase. This blocks sites from tracking your previous purchases, which may increase the price if you are a big spender. □

TOP 10 INTERNET RETAIL BUSINESSES IN THE U.S.

Here are the top web portals for the first quarter of 2013:

Rank	Company	Web Sales (in billions)
1.	Amazon.com Inc.	\$19.2
2.	Staples Inc.	\$7.7
3.	Dell Inc.	\$4.8
4.	Office Depot Inc.	\$4.8
5.	Apple Inc.	\$3.6
6.	OfficeMax Inc.	\$3.1
7.	Sears Holding Corp.	\$2.7
8.	CDW Corp.	\$2.6
9.	Newegg.com	\$2.1
10.	Best Buy	\$2.0

SOURCE: www.internetretailer.com

