

# Exploring Behavioral Pricing Practices on E-Commerce

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**Abstract**—As the online world of trade and commerce ameliorates so are the financial gains of various e-commerce companies. In this endeavour various e-marketing techniques have gained momentum including an emerging concept of e-pricing or widely known as behavioral pricing.

Behavioral pricing is to determine appropriate price of a product online by adjusting the cost that different customers can afford to pay, based on their online personal and consumption data analyzed out of their regular e-consumption and product transaction history.

The present paper focus on the issues of consumer pricing during online shopping and how online stores use consumer information to offer reduced pricing during online purchases. The paper will explore the emerging concept of behavioural pricing in e-commerce and whether or not there appears to be a relationship between consumer information data base and behavioural pricing.

**Keywords**— Behavioural pricing, data base marketing, consumer behavior and E-commerce, behavioural tracking.

## I. INTRODUCTION

**N**OW-a-days, in the era of online shopping or E-commerce, the online companies are able to recognize their previous customers; they are able to use the information about the consumers' recent and past purchases to offer a bundle of different prices and products to consumers with different purchase histories.

As the online world of trade and commerce ameliorates so are the financial gains of various e-commerce companies. In this endeavour various e-marketing techniques have gained momentum including an emerging concept of e-pricing or widely known as "behavioral pricing" or can also be coined as "behaviour based price discrimination".

Behavioral pricing is to determine appropriate price of a product by adjusting the cost that different customers can afford to pay, based on their online personal and consumption data analyzed out of their regular e-consumption habit and product transaction history.

By piecing together consumers' web history, social media presence, and demographics, marketers have a near complete picture of the consumer. Whether you own a house, visit home

improvement websites, and tweet about DIY? Can be used by online stores to use behavioral pricing to extract the highest price possible from you {"Behavioural pricing a consumer worst night mare source next web.com"}

This new concept can be stated as "a new type of e-commerce, where prices will be tweaked to include what customers are willing to pay." For example price of flower online on valentine's day (BP- does it matter to your company, useful social media)

On Facebook and Google+ pages, in tweets and blogs, consumers are constantly saying what they like and dislike. All that is needed, according to the behavioural pricing are applications that can leverage this information so that businesses can frame their pricing policies accordingly. Hence behavioural pricing denotes information on consumer intelligence gathered through social media and applied on online product pricing by various web stores.

Online marketers have dramatically increased the amount of behavioral data they have on consumers. This data comes from a complex network of web histories, demographic records, loyalty programs, and increasingly, social media profiles. In the last few years, behavioral data has matured and gained widespread acceptance and usage in online advertising. Startups like Demdex (acquired by Adobe and Acxiom) allow advertisers to access "databanks" of behavioral information on users, and target advertising to them. For example, if you are selling healthy food for kids, you could target your online advertising to "moms who purchase healthy living goods."

Behavioural pricing consequently refers to the tailoring of prices online on various product purchase within the same or different categories for general or targeted consumers classified in accordance to their online purchase habits and their background personality data which is compiled by net specialist marketing research agencies online and used by websites to determine the appropriate level of price suited for consumers. Consequently online stores can charge different people different pricing on the same day.

This paper attempts to review how prices of online products vary in accordance to consumer details and demand time. Can consumer age, transaction history effect product prices online and can it provide an insight to media companies for better on line marketing of their products is attempted to be studied).

## II. CURRENT EMERGING SIGNIFICANCE

Consumer available on line does help in determining behavioral pricing for the similar products directed towards certain segmented consumers. Behavioral pricing emanated

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from the maintenance of a massive consumer database which became possible only after the launch of online retail business in early nineties. The brick and mortar practice of considering regular clients for a credit and discounted goods became possible online with various options of analyzing consumers categorizing and qualifying them for discounts and large concession on web sites.

Early web portals of ebay.com and olay.com initiated consumer behavior applications from regular databases and designed advertisements tempting categorized clients to click acceptance to generous offers. The launch of second hand goods auction online by e-bay designed campaign directed towards young house holders grouping database on the basis of age group and number of years lived in various cities, which resulted in a massive response by young online browsers accepting offers by clicking on web response

Frocery stores like Woolworths and Coles in late nineties virtually loaded the entire stores on line and selected certain days of week to offer discounts to young housewives who had maintained regular visits to the store and had maintained regular store buying online as compared to non regulars.

As mentioned consumer intelligence companies springing up in early nineties, worked with brands and with banks to understand what consumers are buying and using in their daily life. With this they worked up to offer consumers something to buy next. Hence the data is used by e stores to price differently for different customers. This could be to reward customers loyal to a brand, or increase the price to someone that is fanatical about a certain brand (Behavioural pricing online a reality, [skillsmagazine.com](http://skillsmagazine.com) Dec 2, 2014).

### III. PROS AND CONS

Behavioral pricing can have negative effects on internet consumers. With the absence of Physical stores and middle men coupled with the advantages of bulk buying, web stores can offer dynamic discounts as compared to off line retailers. Off line retailers have protested against web stores, this also has been protested by the product manufacturing authorities like Nikon and Samsung, The manufacturers of Samsung, Sony and LG have decided to prosecute flip kart for sales of electronics unauthoritatively below cost price.

With issues of lack of real product display and actual stores online along with leak of privacy issues internet shopping can go down too bringing varied behavioural pricing have a negative effect on its consumers.

The “Social Media 2014” report shows that one in ten (10%) social media users stopped using Twitter and around the same proportion (9%) stopped using Facebook in the past year. The main reason for social media users stopping using services was a loss of interest (55%), followed by increasing concerns about privacy (26%). One in five (21%) say they were fed up with advertising and marketing strategies (21%) and on in six didn’t like third parties having access to personal content (17%). ([youGov.co.uk](http://youGov.co.uk) “declining years of social media”),

Behavioral pricing contributes towards extensive web browsing. With the existence of almost uncountable web stores and variety of offers the net users are bound to work towards

extensive browsing, the confusing public becomes aware of behavioural tracking and price discrimination and find it objectionable. It seems more likely that they will turn towards increased use of price comparison facilities than towards the means to obfuscate their online movements and actions leading towards uncertainty (consumer behavior to online behavior and targeting, *Journal of Database Marketing & Customer Strategy Management* (2007) 15, 11–23. doi:10.1057/palgrave.dbm.3250069; published online 10 December 2007.

Major web stores experience millions of consumer browsing clicks almost every day, and one of the major benefits that online stores attain is a wide instant access across national borders which brings them at the stage of cyber multinationals getting them a speedy access to a wide consumer base internationally.

What if when you bought a new Macbook, the price was higher because your tweets constantly referenced your love and devotion for Apple? What if Orbitz used the fact that your Facebook Likes include “Party Rocking in Miami” to charge you more for a flight to Miami?

This is called online behavioral pricing. It’s a consumer’s worst nightmare as it uses the traces of your online identity to maximize prices on the products and services you want most. It’s also an ecommerce merchant’s drea

### IV. PRICE DISCRIMINATION

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## V. THE RESULT

By piecing together your web history, social media presence, and demographics, marketers have a near complete picture of you. Do you own a house, visit home improvement websites, and tweet about DIY? Watch as online stores use behavioral pricing to extract the highest price possible from you.

As a consumer, behavioral pricing may mean occasionally lower prices, the purpose is clear that merchants want you to buy more and pay more for it. For merchants, this is their moment. Suddenly, they will be able to offer just the right discount on a laptop to ensure you buy, but at a price that gives them the healthiest profit.

In a world with online behavioral pricing, you will question every price you see. The tables will have turned, and your data will be actively working against you. On the other hand, if you’re a merchant, prepare for behavioral pricing to reshape the world of ecommerce. Perfect price optimization will now be at hand. And if you’re an entrepreneur, there is now an opportunity to disrupt the \$152 billion ecommerce market– by being the fabric that ties behavior data to price .

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