

Dynamic pricing is a potential minefield for retailers

Article



The insight: Consumers are divided on dynamic pricing.

- **Over one-fifth (22%) of US consumers say they won't shop at businesses that use dynamic pricing**, per a NerdWallet survey conducted by The Harris Poll.

- However, one-quarter (25%) would take advantage of dynamic pricing if it meant lower prices.

Digging deeper: Price-sensitive shoppers are pushing back against even the slightest hint that retailers may be thinking of implementing dynamic pricing. That's due to concerns that the practice is merely an attempt to pad companies' bottom lines, as well as the sense that tactics like digital price labels exacerbate price volatility and make it difficult for consumers to know what things actually cost.

- **Wendy's** met with backlash after revealing its plans to use digital menu boards to adjust pricing throughout the day, forcing the fast-food chain to clarify that it will use the screens only to offer promotions during slower dayparts.
- **Walmart** had to explain that its new digital labels will not be used to increase prices when demand is high, and instead are meant to save store employees time.

But shoppers aren't convinced: **Forty percent believe that replacing traditional price tags with digital ones would have a negative impact on their grocery or overall shopping experience**, compared with just 14% who think the move would have a positive effect, per [CivicScience](#).

- And while consumers may be used to dynamic pricing when planning a trip or purchasing concert tickets, that doesn't mean they think the practice is fair. Forty-six percent of consumers believe that variable pricing for hotel stays is unfair, compared with 42% who are fine with it, per a [YouGov survey](#) that polled consumers across 17 countries.
- That sentiment holds true for the rest of the eight services respondents were asked about, including live concerts (49% against, 33% in favor), air travel (47% to 39%), and food delivery (43% to 40%).

Uncertain times: Retailers' embrace of digital labels is adding to consumers' feelings of instability—particularly their [fears over inflation](#), which have yet to ease despite the CPI's downward trajectory.

- While grocery inflation eased to 1.1% in June's CPI report—below the Fed's target for overall inflation—shoppers are grappling with food prices that are 25% higher compared with 2019, making them highly sensitive to even the possibility of further hikes.

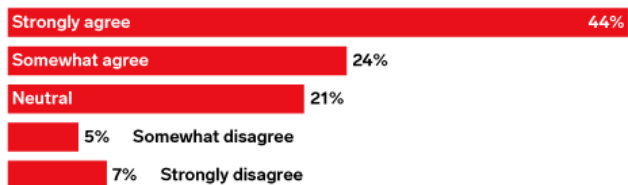
- Over two-thirds (68%) of consumers view [dynamic pricing as price gouging](#), per CivicScience —one of the factors driving shoppers' [growing dissatisfaction](#) with the overall retail experience.

The big takeaway: Given shoppers' extreme sensitivity, retailers have to move carefully when making any changes related to price, even if it's a seemingly simple shift from paper labels to digital ones.

Companies need to make clear what the advantages are for consumers—such as the ability to lower prices for food items as they approach their expiration dates—and do so proactively, before fears over surge pricing take hold.

US Adults Who Agree vs. Disagree That Dynamic Pricing* of Retail Products Is "Price Gouging," March 2024

% of respondents



Note: excludes those who were not aware of dynamic pricing; numbers may not add up to 100% due to rounding; *the price of a product rises when demand is high and drops when demand is low
Source: CivicScience as cited in company blog, March 26, 2024

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