

Organisation for Economic Co-operation and Development (OECD)

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DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS
COMPETITION COMMITTEE

Personalised Pricing in the Digital Era

concerns. For example, consumer harm could arise if a company collecting personal data that helps inform a personalized pricing algorithm violated material promises related to the collection and use of those data. Further, if personalized pricing were based on factors like race, region, gender, or national origin, it could violate certain U.S. antidiscrimination laws.

2. Personalized Pricing Defined

5. Personalized pricing occurs when firms tailor prices based on observed and inferred information about individuals. According to one definition, personalized pricing is a type of price discrimination in which:

a a a b , , , a a
 a a (ba ba , a b)
 a a .

6. Theoretically, a personalized pricing regime by a monopolist seller with perfect information on consumer preferences would charge each customer his willingness to pay for the good or service in question. Personalized pricing should be distinguished from dynamic pricing where prices vary with market conditions. For example, ride-sharing apps, airlines, hotels, and event venues engage in yield management strategies that result in prices changing based on supply and demand conditions.

7. The technology for some degree of personalized pricing appears to exist: even if they do not have perfect information, companies already collect and use large amounts of data based on online and offline consumer interactions to target advertisements. But there is little evidence of widespread use of data to tailor prices to individual consumers. Companies may be reluctant to engage in personalized pricing online because of competition from other sellers, or because consumers could learn to game the system,

⁴ Some research also suggests that consumers may be uncomfortable with the general idea of personalized pricing.

8. Of course, that some consumers do not receive the lowest price offered does not raise the type of consumer protection concerns that would

