

Constantly changing online prices stump shoppers

18 December 2014, by Anne D'Innocenzio



In this Nov. 28, 2014 file photo, a Target shopper uses her iPhone to compare prices at Wal-Mart while shopping after midnight in South Portland, Maine. Increasingly, buying products online is like trading stocks: you can buy a copper mug or a coat and then hours _ or even minutes later _ it can go up and down in price. (AP Photo/Robert F. Bukaty, File)

Online shopping has become as volatile as stock market trading. Wild, minute-by-minute price swings on everything from clothes to TVs have made it difficult for holiday shoppers to "buy low."

A growing number of retailers are using software that changes online [prices](#) based on demand, competition, inventory and other factors. The main goal is to undercut rivals when necessary, and raise prices when demand is high and there's no competitive pressure.

But the new online tools can change the price on a single item—say, a sweater—dozens of times throughout the day. And that can leave shoppers confused about when they can get the best deal.

Take Aishia Senior, who recently watched the price on a coat she wanted rise and fall several times

between \$110 and \$139 in a span of six hours on Amazon.com. She was so frustrated by the price fluctuations that she ended up not buying the coat on the site at all.

"It's definitely annoying," said Senior, who lives in New Haven, Connecticut. "What exactly is making it go up and down?"

The rapidly changing prices come as retailers struggle to achieve conflicting goals this holiday season. They want to appease deal-hungry shoppers with the ever-lower prices they've come to expect since the recession. But they also want to protect their bottom line, which is difficult to do because lower prices cut into profits.

Retailers used to check prices of their rivals' websites and then manually change the prices online. But that was a tedious task and many stores made price changes only once day.

The idea of minute-by-minute monitoring of online prices started with Amazon.com, which for years has used its own software to do so. Scott Stanzel, an Amazon spokesman, said: "We have a cost structure that allows us to adjust our pricing quickly."

After years of losing customers to Amazon because of its ability to offer deep discounts, Wal-Mart and others have started following the online retailer's lead. Eric Best, CEO of Mercent Corp., a software company that changes prices on two million products every hour, said the majority of his clients that include Office Depot, Guess and HSN Inc. make minute-by-minute pricing changes.

For instance, on a recent Monday, the price of Beats Studio headphones fluctuated between \$269.95 and \$199.95 with four price drops and five price increases on Amazon.com. Likewise, the price of a Meyer's 15-Piece Cookware Set went between \$138.95 and \$80.99 with three price drops

and three price increases, according to Mercent.

Best said prices during this holiday season were more volatile than usual because retailers were focused on preserving margins during a period in which they can earn an average of about 30 percent of their annual profits. The result, he said, is that prices on a dress can change several times in an hour. "All of this conspires to look like hotels and airline tickets," he said.

Wal-Mart Stores Inc. built its online price monitoring tool two years ago. And since overhauling its e-commerce business last summer, the world's largest retailer now can make price changes in a few minutes for what used to take up to 24 hours. "We have the ability to make thousands of changes on any given day," said Ravi Jariwala, a Wal-Mart spokesman.

Abt, a consumer electronics retailer in Chicago, started using online pricing software from a company called Market Track that tracks all of its products. It said over the four-day Thanksgiving weekend it changed prices on several hundred items each day. "This is the most efficient tool we have to gauge competition and adjust pricing," said Jon Abt, the retailer's president.

All the price changing has made it difficult for shoppers to predict when they can get the lowest prices, said William Poundstone, author of "Priceless: The Myth of Fair Value." After all, he said retailers don't know themselves. "It's like high speed trading," Poundstone said. "Sometimes, you lower the price. Then, you may raise it back up. The average consumer doesn't understand it."

There are some predictable pricing patterns, though. Jenn Markey, vice president of marketing at 360pi, a price tracking company, says some stores time online price changes to reflect the behavior of customers. For example, some change prices on videogames in the evenings instead of during the day.

Shoppers may also recognize pricing patterns of specific retailers. Wal-Mart and Amazon tend to spread price changes uniformly throughout the week, Markey said. Conversely, the majority of

Sears online price changes happen on Tuesday, Thursday and Saturday. Meanwhile, Costco makes a majority of its online price changes on Saturday and Sunday.

Sears spokesman Brian Hanover said: "As with any retailer, pricing decisions are made based on a number of factors, including our continued goal of bringing the best values to our customers."

© 2014 The Associated Press. All rights reserved.

APA citation: Constantly changing online prices stump shoppers (2014, December 18) retrieved 24 September 2020 from <https://phys.org/news/2014-12-constantly-online-prices-stump-shoppers.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.