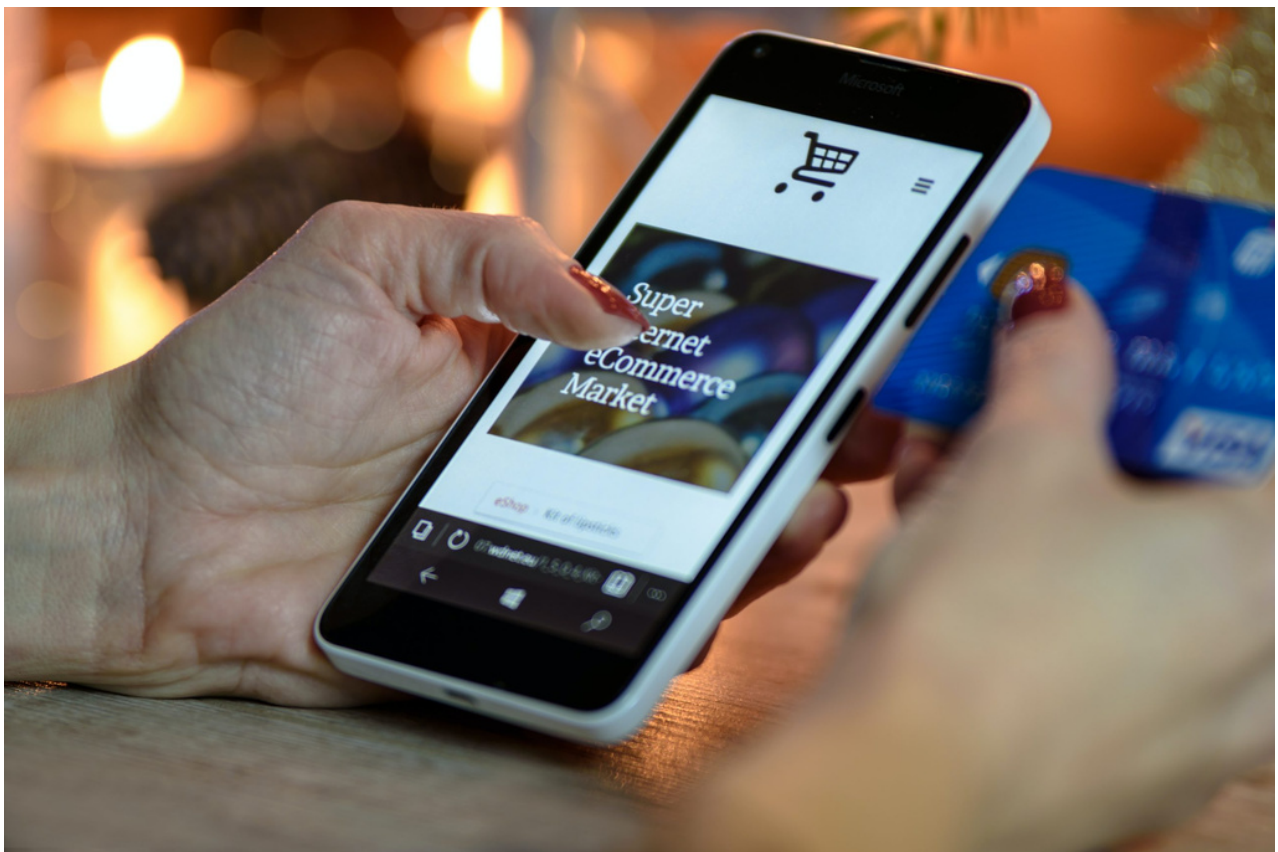
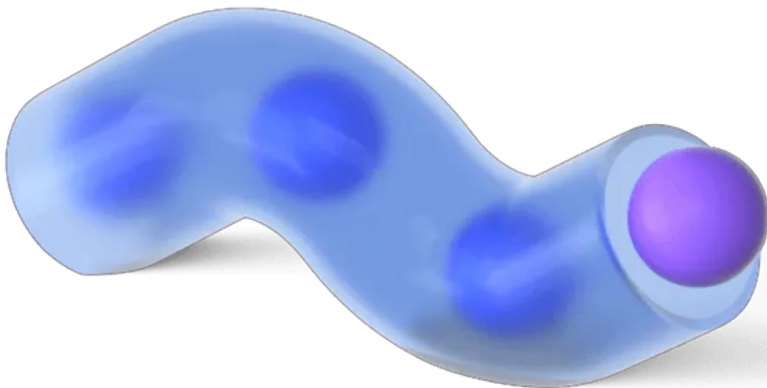


How is dynamic pricing used in E-Commerce?

 symson.com/blog/how-is-dynamic-pricing-used-in-e-commerce

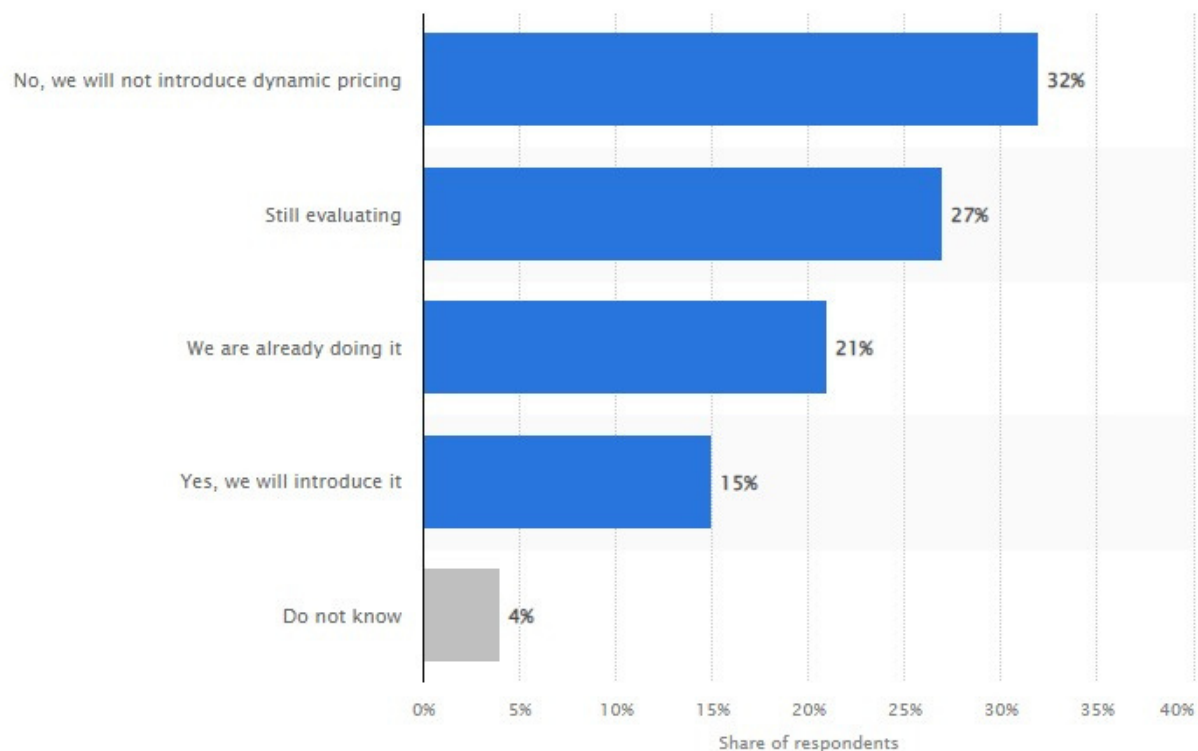


Why is dynamic pricing relevant for E-Commerce?

E-commerce is a booming business. According to Statista, e-commerce accounted for 7% of worldwide retail sales in 2015. In 2021, it sits just above the 20% mark and it is expected to rise to 23% in 2024. In such a big market, this increase in percentages is immense in absolute numbers. Due to Covid, brick-and-mortar stores were less frequently visited or opened and more businesses started selling online.

Theoretically, you have access to an infinite number of buyers online. However, you also possibly have an infinite number of competitors. For online customers it is easier to compare prices from different sellers simultaneously. While price is not the end all be all, it is still an important factor that influences whether customers are going to buy a product or not. Prices are thus a very important factor in the online shopping and for e-commerce. It can literally be the differentiator between selling out or having product left on the shelves.

Offering the optimal price to your customer is very important as an e-commerce business. When the price is optimal, your profit margins are high while you can still sell your products so that no stock is left unsold. Dynamic pricing can be a real game changer for e-commerce, as it ensures optimal and automated pricing advice and implementation.



“Are you planning on implementing a dynamic pricing strategy?” (Source: Statista)

When asked if e-commerce companies were planning on implementing a dynamic pricing strategy, only 21% responded that they already implemented it. 32% argued that they will not implement it, while 27% is still evaluating dynamic pricing and 15% is going to. This means that if you implement a dynamic pricing strategy now, there is still a big chance to be a frontrunner!

How does dynamic pricing work for E-commerce?

Implement dynamic pricing in 5 steps in E-commerce

“Oke, dynamic pricing sounds interesting. But how do I implement it in my own web shop or an e-commerce business?” Let’s look at the steps:

1. Collect data | To kick dynamic pricing off, you need to collect the right available data. Data that could be relevant are competitors’ prices, internal sales data, weather forecasts, price promotion effects and other relevant factors. The right data is crucial for dynamic pricing, so make sure that you collect all the data you need. This is crucial for choosing your specific pricing strategy.
2. Choose your dynamic pricing strategy | A dynamic pricing strategy works best if you combine it with another pricing strategy. Based on this other pricing strategy, you can decide which data to include in the pricing model. For example, for a dynamic cost-plus pricing strategy you need data on costs, while for a dynamic competitive pricing strategy you need data on your competitors pricing. When you want to combine multiple pricing strategies, you need to have the necessary data available, otherwise the dynamic pricing won’t work properly. The availability of the right data thus limits your pricing strategy choices.
3. Apply smart algorithms and AI | After choosing your specific pricing strategy, smart algorithms and AI models will be applied to the data to analyse it and come up with improvements for margin and revenue. The better the models, the better the final advice on margin and revenue improvement will be.
4. Implement pricing advice | After, the model suggests a new pricing for a product (group). The advice needs to be implemented in the web shop to get better profit margins and more revenue. You can do this manually, or you can choose to automate this by synchronizing the right software with each other.
5. Reassess pricing and optimize | Pricing should not be seen as a one-time project, but rather as a process of continuous improvements. To ensure that pricing is optimal in your organization, one should check-in on a regular basis to see what improvements can be done.

Benefits of using dynamic pricing software for E-Commerce

How e-commerce can profit from dynamic pricing software:

- More control over your pricing strategy
- Enabler of optimal prices for better profit margins and less loss of revenue
- Faster and automated pricing responses to predefined events
- More grip on large product portfolios
- Augments human intelligence with the power of AI
- Automating mundane tasks to free up time for more challenging tasks

E-commerce examples

Many large e-commerce enterprises use their own dynamic pricing software, to optimize their pricing. Here are three famous examples:



Amazon may be the most well-known example of dynamic pricing for e-commerce. That is for a reason. The product prices of Amazon change on average every 10 minutes(!!!). Amazon does this because they want to offer the best price possible for popular products, while offering a price with a higher profit margin for less popular products. This is also known as a key-value item pricing strategy.



MediaMarkt is an international company, specialised in consumer electronics. While they do have brick-and-mortar stores, they focus heavily on their online e-commerce presence. With the help of dynamic pricing and electronic in-store price tags, they are able to have coherent dynamic pricing on their website and in their physical stores.



Bol.com, the “Amazon of the Netherlands”. While in many countries Amazon is the go-to e-commerce website for everything you can think of, Bol.com is that for the Dutch market. Just like, Amazon, Bol.com uses dynamic pricing to optimize margins and ensure that they offer the (almost) optimal price in each scenario.

Summary

Dynamic pricing can be a game changer for many e-commerce companies. Not only for enterprises but also for smaller SMEs. Here are the most important learnings summarized:

- E-commerce is growing, and more business is moving to online environments
- If you implement a dynamic pricing strategy, you are still an early adopter in e-commerce
- Dynamic pricing leads to optimal prices, for better margins and a higher revenue
- Implementing dynamic pricing requires some effort, but it is worth the benefits!

Do you want a free demo to try how SYMSON can help your business with margin improvement or pricing management? Do you want to learn more? Schedule a call with a consultant and book a 20 minute brainstorm session!

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