

ONLINE DISCLOSURES FAIL TO MAKE CONSUMERS AWARE OF PERSONALISED PRICING

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INTRODUCTION

Online personalised pricing is the practice of charging different prices to different consumers according to their “willingness to pay”, where this is estimated from an individual’s personal data. Evidence of the prevalence of online personalised pricing remains sparse. However, the quantity of personal data held on online consumers, combined with increased personalisation in other domains, means there is potential for online personalised pricing to become more commonplace.

The Behavioural Research Unit was commissioned by the OECD’s Committee on Consumer Policy to investigate whether online disclosures are sufficient to make consumers aware of personalised pricing or to alter their purchasing behaviour, in particular to avoid paying a higher personalised price. An experiment to test this was carried out in Dublin in October 2019 and repeated in Santiago, Chile in March 2020.

METHOD

For each experiment, a representative sample of 210 adults was recruited by a local market research agency. Participants completed the experiment in person on individual laptops.

First, participants engaged in a task that revealed personal information potentially related to their willingness to pay. Next, they completed a series of purchases in a simulated online shopping environment, including some real purchases. Following this, participants completed a questionnaire to gauge their awareness of any personalised pricing during the task as well as their feelings towards the practice.

For the simulated online shopping task, participants had a choice of two retailers to buy from on separate tabs, each selling equivalent items. One of these retailers

¹ This bulletin summarises findings of “The effects of online disclosure about personalised pricing on consumers: Results from a lab experiment in Ireland and Chile”, *OECD Digital Economy Papers, No. 303*, Available online: <https://doi.org/10.1787/1ce1de63-en>.

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used “personalised pricing” on some of its items – price hikes or discounts compared with the equivalent item on the other tab.

Participants were randomly assigned to one of three experimental conditions: a third saw repeated disclosures on the personalised tab telling them that their personal data had been used to calculate the prices they see (weaker disclosure); a third saw the same disclosures with the additional clarification that prices may be higher or lower than for other consumers (stronger disclosure); a third saw no disclosures at all (control).

RESULTS

Few participants recalled seeing a disclosure when asked in the questionnaire – between 6% and 38% of participants in Dublin, 4% and 15% in Santiago (depending on the strength of the disclosure and the criteria used for recall). The disclosures had at most a negligible effect on awareness of personalised pricing during the shopping task – most participants remained unaware.

The disclosures had no effect on purchasing behaviour. In tasks where price hikes were applied on the personalised tab, participants paid 2% more on average than they would have had they purchased an equivalent item from the other retailer instead. Neither disclosure was effective in protecting participants from paying more than they needed to, nor did it help them avail of personalised discounts.

It was not the case, however, that participants were unbothered by personalised pricing. Responding to a series of personalised pricing scenarios, participants overwhelmingly rated the practice as unfair, even when it led to a discount for the consumer. Moreover, most participants – two-thirds in Dublin and just over half in Santiago – thought online personalised pricing should not be allowed.

POLICY IMPLICATIONS

Online disclosures are one potential policy response to the issue of personalised pricing. We failed to find evidence that even a strong, repeated disclosure improves consumer awareness of personalised pricing or protects them from paying more than they otherwise might, even where the practice is thought of as unfair.

Our findings are consistent with other research indicating that disclosures may not always be successful in raising consumer awareness and protecting consumer interests. Stronger policy tools may be needed.

The study also shows how behavioural experiments can be used at an international level to inform regulation of increasingly globalised, online markets.

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