Amazon.com customers angry

Internet retailer quickly drops test of "dynamic pricing"

By David Streitfeld
The Washington Post

Few things stir up a consumer more quickly than the notion that someone else is getting a better deal.

That's a lesson Amazon.com has just learned.

Amazon, the largest and most potent force in e-commerce, was recently revealed to be selling the same DVD movies for different prices to different customers. It was the first major Web test of a strategy called "dynamic pricing," which gauges a shopper's desire, measures his means and then charges accordingly.

The Internet was supposed to empower consumers, letting them compare deals with the click of a mouse. But it is also supplying retailers with information about their customers that they never had before, along with the technology to use all this accumulated data. While prices have always varied by geography, local competition and whim, retailers were never able to effectively target individuals until the Web.

"Dynamic pricing is the new reality, and it's going to be used by more and more retailers," said Vernon Keenan, a San Francisco Internet consultant.

"In the future, what you pay will be determined by where you live and who you are."

Vernon Keenan
Internet consultant

unfair, but that doesn't mean it's not going to happen."

With its detailed records on the buying habits of 23 million consumers, Amazon is perfectly situated to employ dynamic pricing on a massive scale. But its trial ran into a snag early last month when the regulars discussing DVDs at the Web site DVD Talk.com noticed something odd.

One man recounted how he ordered the DVD of Julie Taymor's "Titus," paying $24.49. The next week he went back to Amazon and saw that the price had jumped to $26.24. As an experiment, he stripped his computer of the electronic tags that identified him to Amazon as a regular customer. Then the price fell to $22.74.

"Amazon was trying to figure out how much their loyal customers would pay," said Barrett Ladd, a retail analyst with Gomez Advisors. "And the customers found out."

A number of DVD Talk.com visitors were particularly distressed to find that prices seemed to be higher for regular customers. "They must figure

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