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BIGCOMMERCE Dynamic Pricing Ecommerce Market Conditions User Guide 📄

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BIGCOMMERCE Dynamic Pricing Ecommerce Market Conditions

Product Information – Dynamic Pricing Ecommerce

Specifications

- Product Name: Dynamic Pricing Ecommerce
- Method: Dynamic Pricing
- Automation: Data-driven algorithms
- Features: Price and trend forecasting, price automation, profitability analysis

Dynamic Pricing Ecommerce

- Dynamic pricing is hardly unique in open marketplaces. If you've ever purchased a stock or were buying Dutch tulip bulbs centuries ago, you're aware of how much the price of a commodity can fluctuate.
- The factors that can impact the price of a good or service are numerous. However, it's the responsibility of the seller to change pricing in response to external factors.
- Dynamic pricing — altering a product's price in response to changing market conditions — is extremely important to ecommerce businesses, who have a definite advantage over brick-and- mortar competitors.
- The ability to automatically change pricing ensures that returns on investment are kept high and customers shopping for the best price are attracted.
- It's quickly becoming a differentiator for companies that do it right. The best online

retailers and sales platforms, including Amazon, are already doing it for price management, giving them an advantage over in-store competition.

- It may be the right pricing method for your company as well.

Key Factors

Key Factors That Influence Product Pricing

Pricing is often impacted by factors completely out of a company's control. While that may be true, responding to these external issues are the responsibility of the business, which is where dynamic pricing plays a role.

Market trends.

The cost of raw materials or the time of the year can significantly impact pricing. The cost of a winter coat in July is probably going to be less than in December. Supply chain issues can also play a factor, such as the global gasoline market.

Inventory on-hand.

If you have a significant amount of product taking up warehouse space, you may lower prices to clear space for new products. The greater volume of a single product you have, the more likely it is that you'd be willing to put it on sale.

Supply and demand.

- If there's significant market demand for a product, but little supply, the cost per product is going to increase.
- Think of it like the housing market in a city that new residents are flocking to. The fewer available homes there are, the more valuable the homes that are for sale are. The same holds true for ecommerce retailers.

Competition.

Increased competition historically keeps prices lower. That's why monopolies are typically bad for consumers and regulators work to avoid them. The more competition there is for customers, the less likely it is for prices to rise.

Consumer expectations.

The consumer ultimately decides on if a purchase is made. If their expectations are not

met, the number of buys decreases, which will force prices down. Price perception and if the customer feels the price is fair also matters.

How Dynamic Pricing in Ecommerce Works

- Dynamic pricing for ecommerce platforms has become increasingly complex, with data-driven automation replacing manual changes to ensure the most up-to-date pricing.
- Algorithms now rule the day and have spawned new types of dynamic pricing.

Dynamic pricing vs. traditional pricing in ecommerce.

- Traditional pricing has the customer cost remaining constant over time.
- For example, the price of video games has largely remained the same for decades. However, with dynamic pricing, customer cost can vary by day based on market fluctuations.

Price and trend forecasting.
Some products will vary by season, such as swimsuits in the summer or airplane tickets during holidays. This kind of forecasting — for any kind of factor — can be accounted for with a dynamic pricing solution.

Price automation.
The easiest way to execute dynamic pricing is to turn it over to the machines. The most effective and efficient way of leveraging dynamic pricing is to have an ever-evolving algorithm set prices and then have a software solution push updates through all sales channels.

Profitability analysis.
After changing prices, it's important to see how sales were affected. Did lowering prices increase sales volume or impact key metrics? Did increasing prices improve profit margins? You should do a post-mortem of every price change to determine impact.

Customer analysis.

- How did customers react to the price change? Did a price increase hurt customer loyalty or your brand? Listening to customer sentiment to determine if a price change helped or hurt customer sentiment is an important step.
- There may need to be a marketing strategy that works alongside price changes as well.

Function

- **The Function of Dynamic Pricing Algorithms**

  Dynamic pricing algorithms will automatically adjust pricing in real-time based on factors like supply, demand, competition and customer behavior. Algorithms are capable of analyzing data, setting pricing rules, adjusting prices in real time and testing and optimizing.
- **Dynamic Pricing Can Help Maximize Enterprise Profits**

  Using dynamic pricing helps ensure that businesses get the best margin on every sale, every time. By minimizing costs, ecommerce companies maximize profits and fuel growth.
- **Control pricing strategy**

  Dynamic pricing gives you the most effective control of your overall pricing strategy. If you have a business strategy of selling below your direct competition, that can be worked into algorithms so that prices react to what competitor prices are doing.
- **Enhanced competitiveness**

  Related to the above, you can ensure that you're always within a reasonable distance — high or low — of competitors. You can help avoid situations where pricing is prohibitive to sales and make pricing decision making automatic.
- **Saves company money**

  Margins will change based on a host of factors. Dynamic pricing helps keep margins at an ideal level and avoids situations where market conditions cost your ecommerce platform money.
- **Provides greater flexibility**

  With traditional pricing, you're locked into a specific price point that may or may not be the ideal price. Dynamic pricing removes this threat and keeps margins at an acceptable level regardless of market conditions.

Considerations

Considerations Before Implementing Dynamic Pricing

Dynamic pricing can have a meaningful impact on revenue, but should not be entered into blindly. Businesses should be mindful of the impact of these price adjustments on customers and products before embracing this pricing model.

Ethical concerns.

- There are ethical concerns about price discrimination, which happens when a seller charges a different price for the same SKU based on what they think the buyer can pay. Related, there may also be legal concerns related to how dynamic pricing is implemented.
- Pricing decisions, even those made by pricing software, should strive to be customer agnostic and not forget the importance of a quality user experience.

Security and privacy of your users data.

Dynamic pricing requires data — often customer data — to function. It's the burden of the business to ensure that this data is kept secure. Failure to do so could be catastrophic.

Customer perception.

Dynamic pricing can be viewed negatively by customers if they feel like they are being unfairly charged. Businesses should consider how their customers will react and communicate the benefits of dynamic pricing clearly.

The Final Word

- A dynamic pricing strategy is sound for companies operating in volatile markets. No matter the stimuli, dynamic pricing will contribute to maximizing revenue, optimizing inventory, reacting to competition and optimizing ecommerce pricing.
- For some, it's a good way to maximize revenues and meet business goals. For others, it's a key part of staying competitive.

Frequently Asked Questions

Can I customize pricing strategies based on specific factors?

Yes, the platform allows for customization based on factors like market trends, inventory levels, and competition.

How often does the pricing update occur?

The pricing updates can be automated to occur as frequently as needed, ensuring real-time adjustments based on data.

Is dynamic pricing just personalized pricing?

No. Personalized pricing can be considered dynamic pricing, but they are not the same. Dynamic pricing changes prices in real time based on market factors. Personalized pricing involves offering different prices to different customers based on their personal preferences or behaviors. So, while they are related, dynamic pricing works differently.

Can B2B websites use dynamic pricing?

Yes, B2B ecommerce websites can do exactly what B2C sites do. In fact, the dynamic pricing model can be especially useful for B2B websites since businesses often have complex pricing structures and negotiate optimal prices with their customers.

Do machine learning and artificial intelligence have a place in dynamic pricing?

Yes, machine learning and A1 have a significant place in dynamic pricing. In fact, these technologies are often used in conjunction with dynamic pricing algorithms to optimize real-time pricing strategies. This may include predictive analysis, reviews of competitive prices or price optimization for increased conversion rates.

Documents / Resources

	[BIGCOMMERCE Dynamic Pricing Ecommerce Market Conditions](#) [[pdf](#)] User Guide Dynamic Pricing Ecommerce Market Conditions, Pricing Ecommerce Market Conditions, Ecommerce Market Conditions, Market Conditions

References

- ↯ [The Ultimate Guide to Amazon Dynamic Pricing Strategy in 2024](#)
- ▣ [Start a Risk-Free Trial (No Credit Card Required) | BigCommerce](#)
- ▣ [BigCommerce Enterprise Demo Request For Pricing](#)
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