

How Dynamic Pricing Shapes Prepurchase Stage Duration and Purchase Probability

Lucas Heyden

University of Rostock

Markus Husemann-Kopetzky

Freie Universität Berlin

Lena Steinhoff

Paderborn University

Christian Brock

University of Rostock

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Abstract:

Dynamic pricing in e-commerce is crucial for optimizing revenue and competitiveness by adjusting prices in real-time based on demand, competition, and customer behaviour. Using a large dataset from an online retailer, we analyse how price increases and reductions affect journey duration and purchase likelihood. Results show that any price change, whether an increase or reduction, extends journey duration compared to stable prices. Additionally, both price increases and reductions boost purchase likelihood, indicating that dynamic pricing drives consumer action. Absolute price reductions shorten journey durations and increase purchase likelihood, while relative changes have mixed effects. These findings highlight that the direction and framing of price changes are critical in influencing customer behaviour. Our study contributes to understanding the effects of dynamic pricing, providing insights for optimizing pricing strategies and enhancing customer experience in e-commerce.

Keywords: Dynamic Pricing, Customer Journey, E-Commerce

Track: Retailing & Omni-Channel Management