Soft Steps, Firm Margins: Subtle Price Adjustments in Inflationary Markets

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Abstract

This study examines how firms adjust prices during high inflation without eroding profitability or customer loyalty. Using daily data for 143,000 books from Türkiye's largest online bookstore, we analyze the pricing behavior of 50 publishers between April and October 2022. We develop a two-dimensional clustering framework capturing the frequency and magnitude of price adjustments and identify two strategies: frequent small increases and infrequent large hikes. Results show that moderate, steady adjustments outperform aggressive one-shot increases in sustaining revenue and profit. Profit analyses across cost scenarios highlight that the persistence of price changes, rather than their size, plays a more decisive role in financial performance. The study offers a data-driven framework for classifying firm pricing behavior and provides managerial guidance for balancing margin preservation, consumer perception, and competitiveness in inflationary markets.

Track: Pricing & Promotions