



By Richard D. Czerniawski

PRICING PEEVES – 2

Taking annual price increases without adding value to the offering is one of my pricing peeves. Yes, there are others that I believe erode trust in a brand. Specifically, I'm thinking of those enterprises that use variable customer demand-based pricing.

I don't object to all variable customer demand-based pricing. When launching innovations where customer demand outstrips supply, I can appreciate premium pricing. In this case, customers are willing to pay a premium to be among the first to own the new offering. It probably satisfies their need for status more than for the product itself or its utility. These early movers want to be perceived to be on the cutting edge or one who has the means to afford the new offering. Both of the aforementioned are forms of conspicuous consumption.

An example of this is the Apple watch. When it was first introduced (as with many other Apple innovations), customers would wait on long lines, typically for a few days, to be among the first to purchase the item. Many of the early purchasers resold these same watches to others at a premium to those who sought the status of ownership but didn't have the time or disposition to wait on line. To each his or her own.

What peeves me is when pricing changes daily, hourly or even by the minute. I'm referring to a practice employed by the airline, hotel, and entertainment industry. Say you want to travel to Barcelona. You call your preferred airline or go online to check prices. Uncertain about what you want to do you defer your decision to the next day. Now when you check that same flight, the price has changed – either for the better or worse for you. Keep in mind that absolutely nothing has changed about the flight. It has the same flight number. It is using the same type of aircraft. It departs at the same time and from the same airport. It has the same flight crew. Nothing has changed. Absolutely nothing but the price. Why should the price change from one moment to the next?

Hotels employ the same practice of variable customer demand-based pricing. The price of a room will increase if the demand for rooms increases. Recently, a hotel I attempted to book was charging \$999 per night. No, this was not a room at the Ritz-Carlton or Four Seasons hotel. Nor was it a suite. It wasn't in one of the most desirable locations in the world either. It was a standard room in a standard hotel in a place I needed to go for business purposes, the price of which is a

standard \$250 or so per night. Again, the location of the hotel, size of the room, bed and mattress, amenities offered, the staff, et al., are all the same. Only the pricing changed.

Bruce Springsteen, who epitomizes the working-class with his music, had fans paying more than working-class prices for final performances of his "Springsteen on Broadway" show. According to Charles Passy of the WSJ, resale prices at more than \$2,000 for the last week of performances were 50% higher than the average price throughout the 14-month engagement. Moreover, a ticket reseller had prime orchestra seats that were going for more than \$40,000 (yes, you read this correctly, more than forty thousand dollars) per seat. I guess the only discernable difference about attending this performance is the bragging rights one feels s/he accrues, with the strokes to the ego, for having paid the big bucks to attend one of his last performances of the Boss' show.

Perhaps, I'm picayune. I don't believe I'm being unreasonable. I understand there are seasons. And, during certain seasons, where indeed demand is significant, potentially exceeding supply, pricing is going to be higher. However, I find it difficult to tolerate when prices change daily or hourly or by the minute. Imagine booking your favorite restaurant for a special occasion or time of the week. You probably need to book well in advance since tables and seating are often limited (at least that's the way it is here in Chicagoland). If you reserve that restaurant and dine there, you'll find that your favorite dish of linguini and clams, or NY strip steak, is priced the same regardless if you dine at 7:00 or 8:00 PM, or on a Tuesday or Saturday evening.

And, yes, I understand and appreciate that certain hours and days may have special promotion pricing to encourage traffic and fill seats. It pays the overhead and keeps the enterprise humming. Restaurants might offer Happy Hours to draw in customers for drinks and encourage them to stay for dinner. However, reduced promotion pricing, or at least the feel of it, is very different from hiking pricing to max revenue and profit at the expense of patrons. The former is a gift or incentive. The latter feels like a penalty.

While the airlines and hotels have their pricing models and may be able to justify their pricing, to me (the customer) it feels like price gouging. It makes me feel as though I'm being taken advantage of by them. It undermines my trust in the enterprise. In the case of that \$999 room, I found another room in another hotel that met my needs and those of my client. I did not attend "Springsteen on Broadway," but I did listen to the Boss rock the crowd on Apple music. When I feel my airline's pricing is excessive, I book with another with more favorable pricing and, perhaps, itinerary.

It comes down to ensuring your pricing feels like a value and that you are not taking advantage of your customers.

Richard Czerniakowski



Richard D. Czerniawski

430 Abbotsford Road

Kenilworth, IL 60043

847-256-8820

847-312-8822

richardcz@bdn-intl.com

www.bdn-intl.com