

Price discrimination: Main information dimensions and ethical concerns.

Price discrimination Type	What firms wants to know	How can firms firms get the information they need	Possible Ethical concerns
First degree: <i>Individual bargaining</i> <i>Targeted prices</i> <i>Targeted coupons.</i> <i>Customization.</i>	<ul style="list-style-type: none"> • Recognize individuals. • Assess Individual's Willingness to pay. • Switching costs, relative taste, search costs. • Competitive structure: (symmetry/asymmetry, in order to react to competition). 	<ul style="list-style-type: none"> • Require shoppers to identify on site, or identify through payment card, cookie, or IP address. • Collect and mine consumers' Purchase history. • Acquire information on consumer demographic data, tastes, preferences, and shopping habits from brokers. • Install a third-party cookie to track consumer browsing. • Request disclosure of demographic information when using site. 	<ul style="list-style-type: none"> • Lowers consumer welfare • Monopoly-like wealth extraction. • Unfairness • Deceptive • Increases insecurity and erosion of privacy
Second degree: <i>Loyalty cards,</i> <i>Quantity discount</i> <i>Two-part tariff</i> <i>Versioning</i> <i>Bundling...</i>	<ul style="list-style-type: none"> • Quantity/quality demand dispersion and elasticity, in order to avoid inefficient allocation. 	<ul style="list-style-type: none"> • Mining own sales data. • Perform price experiments. 	<ul style="list-style-type: none"> • Socially unjust • Does not reward true loyalty. • Increases insecurity and erosion of privacy
Third degree: <i>Seniors discounts</i> <i>Time-based discrim.</i> <i>Location-based discrim.</i>	<ul style="list-style-type: none"> • Ability to identify the relevant demographic belonging of a person. • Dispersion of prices-sensitivities between groups. 	<ul style="list-style-type: none"> • Require shoppers to identify on site, or identify through payment card, cookie, identify location through IP address. • Collect and mine shoppers purchase history. • Acquire basic demographic information about consumers from brokers. • Install third-party cookie. • Request disclosure when using site. 	<ul style="list-style-type: none"> • Lowers consumer welfare • Increases insecurity and erosion of privacy. • Socially unjust.
<i>Reactive selective discounts (pay-to switch/pay-to-stay)</i>	<ul style="list-style-type: none"> • Competitive structure (symmetry / asymmetry) 	<ul style="list-style-type: none"> • Offer introductory offers or loyalty discounts. • Perform price experiments 	<ul style="list-style-type: none"> • Lowers overall social welfare • Unfair
<i>price obfuscation ("noise")</i>	<ul style="list-style-type: none"> • Individual price sensitivity and search costs. 	<ul style="list-style-type: none"> • Offer occasional discounts, coupons, etc. 	<ul style="list-style-type: none"> • Punishes savvy shoppers. • Deceptive.