Big Data, Differential Pricing Strategies, and Privacy

Recent developments in digital technologies have not only driven individuals to leave an increasingly long digital trace behind them, but have also made available the tools to assemble, harness and analyse large and complex datasets (so-called `Big data'). As a consequence, firms are now able to target advertising, product specifications and prices to their customers with an unprecedented precision. In terms of pricing, big data allow firms to practice various forms of differential pricing, i.e., to make different consumers pay different prices for the same product or service. The objective of the lecture is to analyse the impacts that a wider use of differential pricing may have on consumers and on competing firms (those using big data, as well as those selling them). This economic analysis aims at contributing to the current debate on consumer privacy.