

price for the DVD *Mission Impossible* was offered for sale at \$17.99, a 40% discount off list price; several hours later, the price had risen to \$20.99.¹⁰

The incident was picked up quickly by the press and created significant negative publicity for Amazon.com. The following are some customer reactions to Amazon.com's dynamic pricing experiment (*Source: DVDtalk.com*):

This is a very strange business model, to charge customers more when they buy more or come back to the site more.

I find this extremely sneaky and unethical.

If you walk into a store, you aren't charged more based on how many times you pick up the DVD to look at the cover, are you?

(Amazon.com is a) shyster.

Amazon.com denied setting prices based on customers' past purchases or demographic information. According to Amazon.com CEO Jeff Bezos:

We've never tested and we never will test prices based on customer demographics. What we did was a random price test, and even that was a mistake because it created uncertainty for customers rather than simplifying their lives.¹¹

And on September 27, 2000, Amazon issued a statement regarding the price test of early September:

Price testing was not based on customer demographic information. These reports were incorrect and were not based on the facts. We have never tested and we never will test prices based on customer demographics. Contrary to these reports, Amazon varied the discount levels on a totally random basis. The purpose of the test was to determine how much sales are affected by lower prices. In retrospect, this random testing was a mistake, and we regret it because it created uncertainty and complexity for our customers, and our job is to simplify shopping for customers. That is why, more than two weeks ago in response to customer feedback, we changed our policy to protect customers should we ever do random price testing again (and currently we have no plans to do so). Now, if we ever do such a test again, we will automatically give customers who purchased a test item the lowest test price for that item at the conclusion of the test period—thereby ensuring that all customers

¹⁰Lori Enos, "Amazon Apologizes for Pricing Blunder," *E-Commerce Times*, September 28, 2000.

¹¹*Ibid.*