Ask: NUS Economists

Dynamic pricing in the new economy: Data up for grabs

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For The Straits Times

Q What is dynamic pricing? A Dynamic pricing has captured the attention of many Singaporeans as digital technology continues to change traditional industries. Consider this: In my industry, with the recent announcement by ride-hailing apps Tada to offer uniform fare everywhere throughout the day, it is likely to consider whether dynamic pricing is able to increase efficiency and productivity.

By changing different prices in real time, dynamic pricing helps to allocate the limited resources based on demand for and supply of goods and services continuously. It is made possible by technological developments. The proliferation of smartphones and big data means the consumers and producers are more informed.

Consumers have access to patronise across different mobility and producers have access to serve unique costs and preferences of individual consumers. Looking forward, as producers are able to implement price changes and gather data differently, we would expect more innovation to experiment with dynamic pricing.

However, it is concerns whether this would lead to an optimal outcome in the long run. Proponents of dynamic pricing argue that by changing different prices throughout the day, there would be an increase in efficiency. This allows producers to better serve demands in a socially and economically efficient manner.

Indeed, dynamic pricing has the potential to reduce waiting time in the economy. Consider the scenario of someone who has some free time to spend. By setting prices at a certain level, do we know how much benefit could be derived? This would lead to an efficient outcome in the consumer industry.

For instance, dynamic pricing is one of the primary mechanisms to allocate resources, so the prices system, resource allocation guided by the interaction of producer and consumer will be increased.

In the immediate future, consumers would be able to maximise their utility by producing such a mechanism of their benefits.

For producers, producers would be able to maximise their utility with such a mechanism of their benefits. To achieve this, producers and consumers would be able to maximise their utility with such mechanisms of their benefits.

To sum up, producers would be able to maximise their utility with such mechanisms of their benefits.

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† This is a research article written by the NUS Department of Economics. It reflects a published article and topic of issue if you have a research question on economics, write to nusecon@nus.edu.sg. NUS NEWS is the subject field.