Pricing algorithms and EU competition law

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Sector inquiry (May 2017)

• 53 % of **retailers** *track* online prices of competitors

• 67 % of those (also) use *automatic software* for that purpose.

• 78 % of those that use software to track prices *adjust* their own prices to those of their competitors.

• ~ 30% of **manufacturers** track systematically online retail prices of their products sold by independent distributors
Pricing algorithms: small intervention – big impact

Spiders are a software which monitors resale prices of key competitors and automatically adjust prices to match (lowest) price in the market. Getting price mavericks to adhere / raise to desired price levels has knock-on effects on multiple e-tailers.
Pricing algorithms: consequences

- **Easy detection** of deviation from recommended/collusive prices => Higher risk of retaliation => lower incentive to deviate

- "Followers" (typically bigger e-commerce players) vs. **price mavericks** (typically smaller players)

- **Broad impact** throughout the distribution network (intrabrand) => likely interbrand effects

- Potential to lead to "hub and spoke" scenario.