

IDEAS

Algorithmic pricing is scary. It doesn't have to be.

If you and I are charged different prices for the same item, we should know why.

By **Noah Giansiracusa** Updated December 26, 2025, 4:00 a.m.

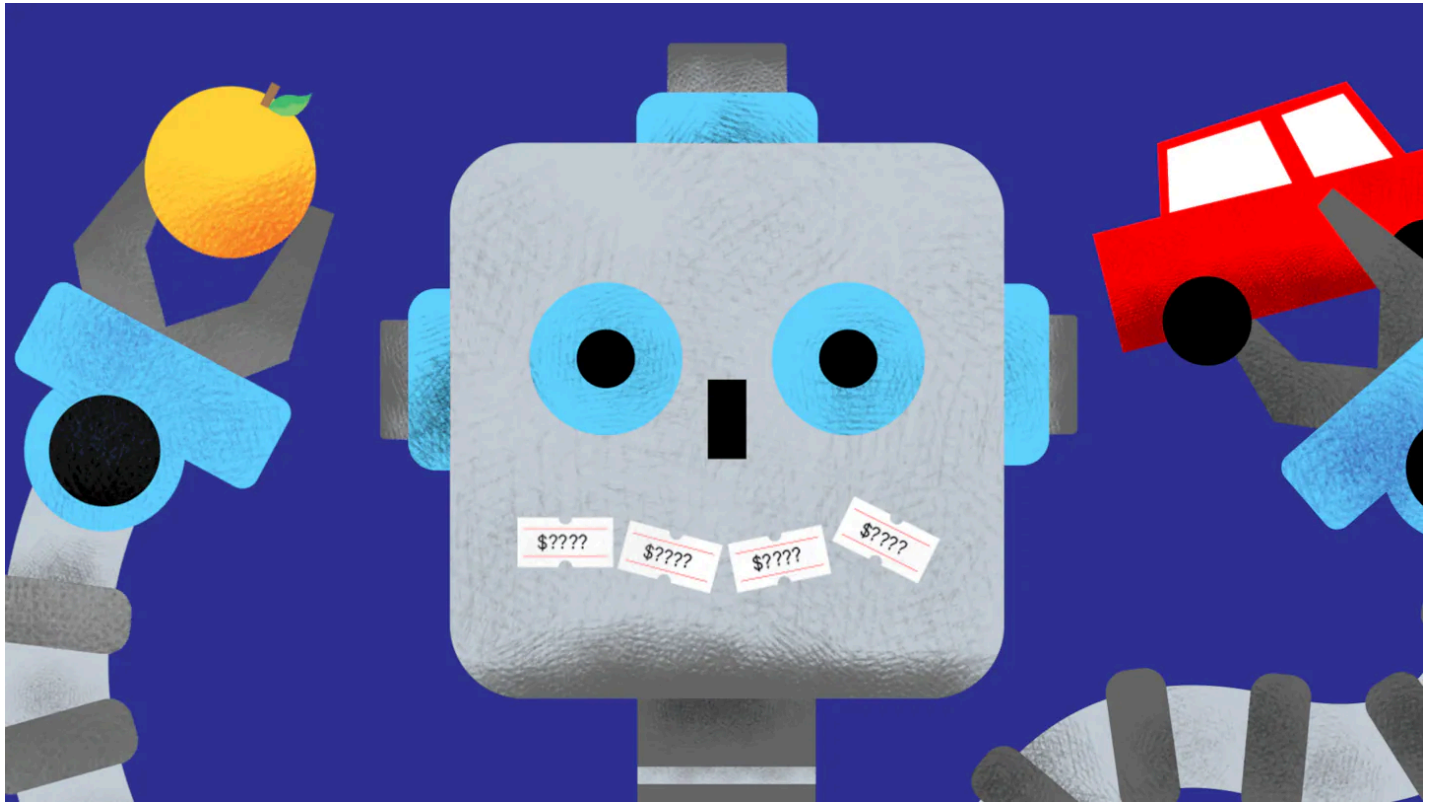


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Algorithms That Run Your Life.”

For two decades, the internet has been shaped by companies with one common goal: to collect our personal data and feed it to algorithms that target us with ads. Tech companies have on occasion flirted with another use for this data: personalizing the prices we see online for goods and services. For example, [Uber and Lyft have been accused of using personal data](#) to calculate the maximum each rider is willing to pay and setting their rates accordingly.

This flirtation seems poised to blossom into a full-fledged romance. A [Consumer Reports investigation](#) this month found Instacart charging shoppers different prices for the same items. Lina Khan, former chair of the Federal Trade Commission, points out that [ride-share companies likely charge riders more when their phone batteries are lower](#) — disturbingly capitalizing on customer desperation.

Personalized pricing is scary. Should we [try to ban it](#)? Perhaps. But we first need to clarify what it is and what we don’t like about it.

This practice of setting prices based on data goes by several names — not only personalized pricing but also dynamic pricing, algorithmic pricing, and surveillance pricing. In principle, computer algorithms don’t need to be involved. A shopkeeper could look across the street at a rival store’s prices and set theirs to be 50 cents lower. That’s an algorithm, and you’re surely OK with it. It uses data, but not personalized data.

What if that shopkeeper gives a 10 percent discount to senior citizens? Again an algorithm, and now the data is personal, but you’re probably still fine with it.

What if the shopkeeper gives you a discount for being a frequent customer? Seems OK. What if they raise the price for you if they find out you often shop at more expensive stores? Not cool. What if customers see different prices based on their gender and race? Definitely not cool.

Good and bad things can happen even before computer algorithms enter the scene. What's scary about computer algorithms is they can do on an enormous scale what that shopkeeper does, setting prices for hundreds of millions of customers all at once. And they have access to much finer-grained data. The shopkeeper can see the clothes you're wearing and the color of your skin, but the computer algorithm could in principle know every TikTok video you've watched, every Google search you've typed, every chatbot conversation you've had, every Amazon item you've purchased, and so on. This personal data could be used to estimate your "pain point," the highest price you're willing to pay for each product. Algorithms can help retailers raise all the prices you see online to your personal pain point.

But there's something good about computer algorithms too — something that could make them less scary. Unfortunately, we're not taking advantage of it.

With a human mind, we never know what factors go into a decision. With a computer algorithm, we do — because programmers essentially have to tell the algorithm which factors to consider. The problem is that online retailers do not voluntarily tell us these factors. We should require them to do so.

It appears that ride-share companies charge users more when their phone batteries are lower — but the government cannot be certain, because nobody outside the tech companies knows what data is used by their pricing algorithms. Imagine there's a button you can click called "pricing factors." Perhaps it shows things you expect like your location, maybe even your star rating as a passenger, but it also shows that your phone battery percentage is a factor.

Whenever you see pricing factors like this that make you uncomfortable, you could post screen shots to social media and send them to the FTC and your elected officials. Sadly, this pricing factors button doesn't exist. But it could, if we mandated it.

You go to book your flight for the holiday season and are surprised by [how expensive it is](#). You click the "pricing factors" button and learn that the time of year goes into the

prices, as do the prices other airlines charge, but not your personal data. This helps you see that personalized pricing isn't the issue here — but there could potentially be collusion, which happens when all airlines raise their prices together, avoiding true competition. [Collusion is illegal](#), so with the prices you've seen and the price factors involved, you flag this case for regulators to investigate.

Now you order some groceries online and notice that the prices are higher than what your spouse saw when they started the order on their phone just a few minutes ago. Instacart claims the different prices customers saw in the recent Consumer Reports investigation were not the result of personalized pricing and were instead just a randomized trial to get information on customer habits. Don't be fooled: Randomized trials are precisely how Instacart can gather the data needed to personalize its prices. If we could click that pricing factors button, we'd know if and when companies start using our personal data to set prices. Without that button, we're left speculating.

The limited amount of transparency provided by the pricing factors button would not reveal the secret sauce that goes into proprietary pricing algorithms. And it wouldn't expose any sensitive customer information. But it would reveal the scope and variety of algorithmic pricing currently in practice. It would expose egregious instances we can push back on immediately. And it would help lawmakers better understand the problem and how best to address it. Companies will surely attempt to game this transparency requirement, and regulators will be limited in their ability to enforce it. But we should not let perfect be the enemy of good.

We should not allow predatory pricing practices to continue and expand. But let's not take away senior discounts in a haphazard rush to prevent personalized pricing altogether. We need to approach algorithmic pricing thoughtfully. Being able to shop online and see what factors go into our prices will give the public and lawmakers valuable information without stifling innovation.

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