

GENERATION Z AND PRICE SENSITIVITY: DYNAMIC PRICING STRATEGY AS KEY TO PRODUCT ATTRACTIVENESS

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ABSTRACT

This study aims to understand how price sensitivity influences Generation Z's preferences and consumption behavior toward products offered in the market, as well as to analyze the most effective pricing strategies in attracting this segment. Using a qualitative approach and descriptive method, data were obtained through in-depth interviews with informants from Generation Z who actively purchase products both online and offline. The findings reveal that Generation Z exhibits high price sensitivity and carefully considers rational aspects before making a purchase, such as comparing prices across marketplaces, looking for free shipping promotions, and evaluating user reviews. They tend to respond positively to transparent and dynamic pricing strategies, as long as they still provide value and fairness in the transaction. Dynamic pricing successfully captures the attention of Gen Z when accompanied by clear communication and reasonable price boundaries. Additionally, Gen Z shows a tendency to be more loyal to brands that can adjust prices according to market conditions without sacrificing quality and integrity. These findings reinforce that adaptive and technology-based pricing strategies play a crucial role in building product appeal and consumer loyalty among Generation Z.

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1. INTRODUCTION

Along with economic growth and the increasing influence of social trends, Generation Z—those born between 1998 and 2012—has emerged as a new force reshaping global market dynamics and consumer behavior. Equipped with digital connectivity from an early age, Generation Z exhibits consumption patterns that differ significantly from previous generations (Amalia & Sagita, 2019). They do not rely solely on price as the primary factor in decision-making but also consider values such as product authenticity, sustainability, and corporate social responsibility. It is projected that the purchasing power of this generation will reach approximately \$12 trillion by 2030, making them an unignorable market segment for retailers and fast-moving consumer goods (FMCG) producers (Angela & Paramita, 2020). This shift compels businesses not only to sell products but also to build emotional connections and shared values with Gen Z consumers.

The unique characteristics of Generation Z—such as high digital curiosity, sharpness in assessing information, and concern for social and environmental issues—present both opportunities and challenges for businesses (Farunik & Ginny, 2023). They tend to be skeptical of traditional marketing strategies and place more trust in user reviews, social media, and brand transparency. Therefore, producers and retailers need to adopt new and more adaptive approaches, such as dynamic pricing strategies, value-driven marketing, and authentic two-way communication (Rosita & Utami, 2023). Failure to understand the core values held by Generation Z may result in a loss of consumer loyalty, while successfully adapting to their expectations may pave the way to sustainable competitive advantage in today's modern consumer era (Aminah & Nurhasanah, 2023).

Generation Z is known as smart and highly strategic shoppers. They possess strong analytical skills in evaluating a product's value, especially in terms of price and quality (Awan et al., 2022). Before making a purchase, Gen Z actively compares the prices of the same product

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across various e-commerce platforms to ensure they get the best deal. This behavior reflects a high level of price sensitivity and the effective use of digital tools in the decision-making process. They also regularly use additional features such as promo codes, cashback, and seasonal discounts, which reinforce their identity as rational yet efficiency-oriented buyers (Khairunnisa & Heriyadi, 2023).

In addition to seeking the lowest price, Gen Z also considers other aspects such as additional services offered by sellers—one of the most valued being free shipping. For them, high shipping costs can be a dealbreaker even when the product price is competitive (Lestari, 2019). Therefore, sellers who offer free shipping have a better chance of attracting attention and winning over Gen Z consumers. This preference shows that beyond the product price itself, cost transparency and a smooth purchasing process are crucial components in creating an ideal shopping experience for Generation Z (Pamikatsih et al., 2022). For business players, understanding the habits and expectations of Gen Z is essential in designing targeted dynamic pricing and promotional strategies.

Dynamic pricing is a flexible pricing strategy where the price of a product or service can change at any time based on current market conditions (Nisa & Amrozi, 2019). Factors such as consumer demand, seasonality, price competition, customer behavior, and even time of day can influence these price changes. This strategy enables companies to be more responsive to market dynamics and to maximize profit by adjusting prices in real-time. In the context of e-commerce, advanced technologies and algorithms are used to analyze purchasing data and market trends so that prices can be updated automatically and efficiently (Purwanto et al., 2021).

The application of dynamic pricing becomes increasingly relevant when dealing with Generation Z consumers, who have rapid and wide-ranging access to price comparisons across platforms. For this generation, transparency and fairness in pricing are crucial, so dynamic pricing strategies must be implemented carefully to avoid perceptions of manipulation (Feng et al., 2020). If applied intelligently and consistently, this strategy can actually increase customer loyalty as it is seen as offering the best price at the right time. For businesses, dynamic pricing also provides an opportunity to design personalized offers based on consumer behavior, such as offering special discounts for frequent users or adjusting prices based on geographic location. Thus, dynamic pricing is not just a pricing strategy—it is also a tool to build stronger relationships with modern consumers like Gen Z (Javanmard & Nazerzadeh, 2019).

Previous studies have explored the effectiveness of pricing models such as psychological pricing, value-based pricing, and dynamic pricing in attracting younger consumers. For example, Neubert (2022) found that dynamic pricing strategies, which use real-time data and algorithms to flexibly adjust prices, are increasingly used on e-commerce platforms to attract Gen Z, who actively compare prices. However, because Gen Z is highly price-sensitive, non-transparent price changes may result in negative perceptions. Therefore, deeper research is needed to understand how Gen Z's price sensitivity affects product appeal, and how businesses can design effective and ethical pricing strategies to build long-term loyalty. This study uses a qualitative approach to explore Gen Z's perceptions and preferences regarding various pricing strategies currently available in the market.

2. METHOD

This study employs a qualitative approach to gain an in-depth understanding of Generation Z's perceptions and attitudes toward price sensitivity and pricing strategies that influence product appeal. This approach was chosen to enable the researcher to understand the social context and consumer behavior of Gen Z more holistically. Data were collected through in-depth interviews, observations, and documentation (Sugiyono, 2016). Data analysis was conducted using thematic analysis techniques, including transcription, coding, theme grouping, and interpretation of findings. To ensure data validity, this study applied method and source triangulation, as well as member checking by involving respondents to confirm the accuracy of

data interpretation. Through this method, the research aims to obtain a comprehensive picture of Gen Z's preferences and behavior in response to pricing strategies, thereby providing relevant recommendations for business actors in formulating effective pricing strategies that align with the characteristics of today's young consumers.

3. RESULT AND DISCUSSION

Incorrect pricing can directly impact purchasing decisions, especially when targeting Generation Z, who are known to be highly rational, critical, and price-sensitive. If a product is priced too high, Gen Z tends to avoid buying it because they are accustomed to comparing prices across various digital platforms before making a decision. They are also highly aware of the value and benefits received compared to the price paid. Prices that are perceived as not matching the quality will be quickly dismissed, as honesty and transparency in pricing are important to Gen Z.

Conversely, if the price is too low, although it might attract initial attention, Gen Z may become suspicious about the product's quality. They are not just looking for cheap prices but also consider customer reviews, product ratings, and the ethical or sustainability values behind a brand. A price that's too low can give a "cheap" impression—especially if not supported by strong branding and positive testimonials. Therefore, pricing strategies must carefully balance perceived value, product quality, and Gen Z's expectations, as this generation is highly digital-savvy and values "value for money."

Dynamic pricing strategy offers high flexibility in setting prices as it allows real-time adjustments based on dynamic market conditions. For Gen Z consumers, who are used to digital shopping and open to technology, this approach can be an effective tool to attract their attention—as long as the prices displayed remain transparent and reasonable. For example, prices can be adjusted during high demand periods or weekends without negatively affecting loyal customers. By utilizing algorithms and consumer behavior data, businesses can set prices that are not only competitive but also tailored to the profile and shopping habits of Gen Z, who are highly connected online.

However, it's important to remember that the advantages of pricing strategies such as dynamic pricing cannot stand alone. The overall customer experience—including the speed and reliability of delivery—is also a crucial factor in determining customer satisfaction and loyalty. Gen Z has high expectations for service, including fast, free, and on-time delivery. Logistics issues such as delays or damaged products can quickly lead to negative reviews on social media or marketplaces, which would impact a brand's reputation.

Furthermore, Generation Z values efficiency and transparency in after-sales service. Therefore, no matter how good the pricing strategy is, it must be supported by a reliable operational system. Dynamic pricing must be accompanied by other technological integrations such as automatic shipment tracking, real-time notifications, and responsive customer service. In this way, the shopping experience offered to Gen Z becomes complete—from competitive pricing and smooth purchasing processes to reliable delivery.

In today's highly dynamic e-commerce world, dynamic pricing strategies are vital tools for sellers to remain competitive and responsive to market changes. With real-time pricing systems, sellers can increase or decrease prices based on demand patterns, certain time periods, seasonal trends, or even customer behavior data. For instance, during festive seasons or major sales campaigns like Harbolnas or 11.11, product demand typically spikes. In such conditions, prices can be strategically increased to boost profit margins without sacrificing consumer interest, which remains high due to the urgency and promotional momentum.

On the other hand, during low sales periods or when product stock is piling up, dynamic pricing also allows sellers to reduce prices to attract consumer attention and speed up inventory turnover. This is highly relevant in online business, where demand fluctuates rapidly and competitors can adjust prices within minutes. With the right algorithms and efficient system integration, dynamic pricing not only helps sustain sales but also supports a more adaptive,

consumer behavior-oriented promotional strategy—especially for Generation Z, who are very sensitive to price and product value.

There are several types of dynamic pricing strategies that you can apply in business. Each strategy has its own advantages and disadvantages, depending on your goals and the type of product you sell. Here are a few types of dynamic pricing:

a. Time-Based Pricing

Time-based pricing is a strategy that depends on the time dimension. In this approach, product or service prices are adjusted according to specific periods—such as holidays, weekends, peak seasons, or even specific hours of the day. This strategy is ideal for products or services with seasonal or time-specific demand patterns, such as concert tickets, hotels, or transportation services. For example, concert tickets may be cheaper when first released but increase as the event date approaches. For price-sensitive Gen Z consumers who often take advantage of discounts or flash sale moments, this strategy can catch their attention by offering incentives for early or time-limited purchases.

b. Demand-Based Pricing

Demand-based pricing is a dynamic pricing strategy where prices change according to market demand levels. When demand is high, prices are increased to maximize profits, whereas when demand is low, prices are lowered to attract consumers. This strategy is effective for popular products that experience sudden spikes in interest, such as the latest gadgets, limited-edition fashion items, or viral products on social media. Gen Z, who often follow trends and quickly respond to popular products, is a prime target for this strategy. However, businesses must ensure that price fluctuations remain reasonable to avoid negative perceptions or being seen as manipulative.

c. Competition-Based Pricing

Competition-based pricing sets prices by considering competitors' pricing. In the highly competitive e-commerce space, this strategy allows sellers to monitor market prices and adjust theirs to remain appealing and relevant. For example, if a competitor lowers the price of a similar product, a seller can slightly reduce their own price or offer added value like free shipping or product bundles. This strategy is highly effective when combined with automatic price monitoring. For Gen Z consumers who often compare prices across stores before purchasing, this strategy can be a key differentiator. However, constantly lowering prices to compete can erode brand value if not managed carefully.

d. Segment-Based Pricing

Segment-based pricing is a strategy where product or service prices are tailored based on the targeted customer segment. In this approach, businesses differentiate prices between customer groups based on behavior, loyalty, location, or even demographics. For example, loyal customers with a history of transactions may receive exclusive discounts or special offers as appreciation, while new customers might be charged the standard price. This strategy is very relevant for Gen Z, who appreciate personalization and recognition of loyalty. They tend to respond positively to loyalty or reward programs that offer added value for their engagement. However, it's important to maintain transparency so that price differences don't appear discriminatory or confuse increasingly critical consumers who value fairness in pricing strategies.

Next, to implement dynamic pricing for Gen Z, there are several steps you can follow:

a. Use Automation Tools

Using automation tools or dynamic pricing software is an important first step in applying this strategy, especially to target Generation Z who are very digitally active. These tools can monitor market price movements, demand trends, and customer behavior in real-time, then automatically adjust prices based on the collected data. This allows sellers to respond quickly to market changes without manually adjusting prices. For both small and large businesses, using these tools increases efficiency, reduces human errors, and speeds up the pricing decision process.

Moreover, with automation, you can apply price segmentation based on different Gen Z preferences. For example, if data shows Gen Z prefers buying products at certain times or when prices drop slightly, the tool can automatically adjust prices to maximize purchase opportunities. Since Gen Z is used to fast and accurate digital experiences, using this pricing technology is not only a competitive advantage but also meets their expectations for convenience and transparency in online shopping.

b. Set Price Limits

When applying dynamic pricing, it is crucial to set minimum and maximum price boundaries. This aims to maintain price stability so that prices don't fluctuate too wildly, which can cause confusion or distrust among Gen Z. This generation is very price-sensitive but also expects fairness and transparency. If product prices suddenly spike without clear reasons, they may feel disappointed and lose trust in the brand. Conversely, if prices remain too low consistently, it could lower their perception of product quality.

Price limits also help protect business profit margins. Setting a minimum price ensures that the business does not sell products below production costs or at too low a margin, while the maximum price helps avoid perceptions of exploitation. Thus, dynamic pricing becomes not only a tool to increase revenue but also to maintain a long-term relationship with Gen Z consumers who value honesty and value for money.

c. Monitor Market Reactions

After implementing the dynamic pricing strategy, it is important to regularly monitor market reactions and consumer behavior, especially from Gen Z. Price changes that are too frequent or inconsistent can have negative impacts if not balanced with understanding how consumers respond. For example, do purchases increase when prices drop? Are there complaints about unfair prices? This data can be collected from customer feedback, reviews, or behavior analysis on e-commerce platforms and social media. Gen Z is known for being vocal and active in expressing opinions, so their responses can be an important indicator of the success or failure of the strategy.

This monitoring also allows businesses to continuously adjust. If the pricing strategy proves ineffective or causes churn (loss of customers), quick evaluations can be made before the impact worsens. The fast-changing behavior of Gen Z requires companies to be more adaptive and responsive. Thus, dynamic pricing strategies can be refined to maintain a balance between business profits and customer satisfaction.

Advantages of Dynamic Pricing:

a. Maximizing Profit

One of the main advantages of dynamic pricing is its ability to maximize profit. By adjusting prices based on demand spikes, you can increase prices at certain times when buying interest is high—such as during promotions, weekends, or seasonal moments. For Gen Z, who actively shop online and always compare prices, this price adjustment allows businesses to remain competitive without missing opportunities for higher margins. Smart price management can increase potential profits without significantly raising production or promotional costs.

b. Flexibility

Dynamic pricing offers high flexibility in marketing and sales strategies. You can quickly adjust prices following market dynamics, changes in trends, competitor moves, or consumer shopping behavior. In a fast-moving and uncertain digital market, this flexibility is a major advantage, allowing businesses to stay relevant and adaptive. For Gen Z consumers who are very sensitive to price changes and product availability, this flexibility also creates a dynamic shopping experience that matches their expectations for speed and personalization.

c. Stock Optimization

Dynamic pricing also helps optimize inventory management. By adjusting prices to accelerate the sale of surplus products or slow down purchases when stock is limited, this strategy prevents overstock or shortages. For example, if stock is too high, prices can be lowered slightly

to speed up turnover. Conversely, if stock is limited and demand is high, prices can be raised to maintain supply stability. Efficient stock management is crucial in e-commerce, especially when serving Gen Z who prioritize fast delivery and product availability when they need it.

Disadvantages of Dynamic Pricing:

a. Implementation Complexity

One major challenge in applying dynamic pricing is the complexity of the required system. Continuous price adjustments cannot be done manually as it is time-consuming and prone to errors. Therefore, you need specialized tools or technology that can analyze market data, buying trends, and customer behavior in real-time. For small businesses or SMEs, investing in this technology can be a barrier due to costs and technical skills required. Without reliable systems, dynamic pricing could lead to chaotic pricing that harms the business.

b. Potential Customer Disappointment

Dynamic pricing strategies can cause negative perceptions among customers, especially Gen Z who care deeply about transparency and price fairness. If they find product prices changing rapidly or differing from what others pay, this can cause feelings of unfairness, disappointment, and loss of trust in the brand or store. Gen Z is very active on social media and quick to share negative experiences, potentially making such impacts viral and damaging business reputation. Therefore, good communication strategies are needed to explain the reasons behind price changes so customers still feel valued.

c. Requires Continuous Monitoring

To remain effective, dynamic pricing must be run with consistent monitoring. Markets keep changing, as do consumer preferences and behaviors—especially Gen Z who respond quickly to trends and digital information. Without regular monitoring, price changes could backfire, such as lowering prices too drastically or raising prices during low demand. This requires human resources and systems that can regularly evaluate and adjust so the strategy runs optimally. Without proper monitoring, dynamic pricing can become a boomerang, harming sales performance and customer loyalty.

Dynamic pricing strategies offer great opportunities for businesses to reach Gen Z consumers, who are smart, critical, and very price-sensitive. With the ability to adjust prices in real-time based on market conditions and customer behavior, dynamic pricing can increase product appeal and maximize profits. However, its implementation cannot be careless—appropriate technology, wise price limits, and transparent monitoring and communication are necessary to avoid customer dissatisfaction. By understanding Gen Z characteristics and applying pricing strategies that are responsive yet ethical, businesses can build long-term, mutually beneficial relationships amid increasingly dynamic market competition.

4. CONCLUSION

As a conclusion, dynamic pricing strategy offers great opportunities for businesses to attract Generation Z consumers, who are known to be very rational and price-sensitive. Generation Z's ability to compare prices and seek the best deals makes them an ideal target for this strategy. With dynamic pricing, businesses can flexibly adjust product prices based on demand, timing, and market conditions, thereby optimizing profits and minimizing the risks of overstock or stock shortages. However, implementing dynamic pricing requires a careful approach. Without clear price boundaries and consistent monitoring, this strategy can lead to customer disappointment and distrust. Generation Z highly values transparency and fairness in transactions, so price changes that are too volatile or unclear may negatively affect their loyalty. Therefore, to build long-term relationships with Gen Z, businesses need to combine advanced pricing technology with ethical and transparent communication strategies.

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