



Drip Pricing

[Source: HT](#)

Why in News?

Recently, the concept of "drip pricing" has garnered significant attention from both governmental bodies and consumers due to its impact on the transparency of pricing practices in various industries.

What is Drip Pricing?

- **About:**
 - **Drip pricing** is a pricing strategy where only a **portion of an item's total cost** is displayed initially, with **additional charges** revealed as the customer progresses through the purchase process.
 - This strategy is used to attract customers with a seemingly lower price at the outset.
- **Mechanisms:**
 - The **initial price shown to consumers is often lower** than the total cost, excluding essential fees like local taxes, booking charges, or necessary add-ons.
 - As the purchase process continues, additional fees are **incrementally disclosed or "dripped"** to the consumer, which can lead to a higher total cost than initially presented.
- **Implications of Drip Pricing:**
 - **Deceptive Pricing:** Advertisers initially display a lower price, luring customers in before hitting them with unexpected fees. This makes informed decision-making difficult.
 - **Comparison Shopping Challenges:** Drip pricing makes it **hard to compare prices** accurately across different vendors, as the true cost might only be revealed at checkout.
 - **Short-Term Gains vs. Long-Term Reputation:** While drip pricing might attract initial interest, it can **damage brand trust** and loyalty in the long run.
 - **Potential Regulation:** Regulatory bodies might enact stricter rules to curb drip pricing practices, restricting ease of doing business.
 - **Positive Aspect:** It allows businesses to **offer a base price** with optional add-ons, giving consumers the flexibility to pay for only what they need.
 - This can be particularly beneficial in industries where **customisation and personalisation** are valued.
- **Challenges:**
 - The challenge lies in **distinguishing between competitive pricing strategies** and those that are genuinely deceptive or harmful.
 - The regulatory approach has **not been unified or consistently applied**, leading to enforcement challenges.
 - **Countries like Australia** have **explicit regulations** against drip pricing, while others rely on broader consumer protection laws to address misleading practices
- **Potential Solutions:**
 - **Industry Standards:** Industry-wide adoption of transparent pricing practices could create a fairer marketplace.
 - **Consumer Awareness:** Educating consumers about drip pricing tactics can help them make informed purchasing decisions.
 - **Call for Transparency:** There is a growing call for regulations that require all fees to be

- included in the initial advertised price or at least clearly disclosed early in the purchase process to protect consumers and ensure fair competition.
- In India, the [Department of Consumer Affairs](#) **cautioned against "drip pricing,"** urging consumers to be wary of hidden charges and seek help if they notice unexpected increases in a product's maximum retail price (MRP).

UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims:

Q. With reference to 'consumers' rights/privileges under the provisions of law in India, which of the following statements is/are correct? (2012)

1. Consumers are empowered to take samples for food testing.
2. When a consumer files a complaint in any consumer forum, no fee is required to be paid.
3. In case of death of consumer, his/her legal heir can file a complaint in the consumer forum on his/her behalf.

Select the correct answer using the codes given below:

- (a) 1 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

Ans: (c)

Mains:

Q. Has the Indian governmental system responded adequately to the demands of Liberalization, Privatization and Globalization started in 1991? What can the government do to be responsive to this important change? (2016)