Submission by the Canadian Marketing Association to the Competition Bureau on its Discussion Paper on algorithmic pricing and competition

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Introduction

As the voice of Canada's marketing profession, the Canadian Marketing Association (CMA) represents organizations across all sectors. We champion high standards of professional conduct through our Canadian Marketing Code of Ethics & Standards, compliance and best practices guides, and professional development. Our Consumer Centre helps Canadians understand their rights and obligations, and we address marketing-related enquiries from consumers and organizations.

For marketing professionals, pricing is a fundamental component of the marketing mix and a critical driver of customer value propositions. Algorithmic pricing enables marketers to deliver more tailored, relevant, and competitive offers, shifting pricing from a static cost consideration into a dynamic value-creation tool that enhances customer relationships and drives business growth. Research shows that Canadian consumers value personalization, with [73% preferring digital ads that are relevant to their interests](#) over generic unrelated ads. While distinct from advertising, algorithmic pricing can similarly use technology to deliver more relevant and competitive offers, benefiting both consumers and businesses.

This technology aligns with the Prime Minister's mandate to "establish a new economic and security relationship with the United States" and "build the strongest economy in the G7." As U.S. tariffs reshape cost structures across sectors, algorithmic pricing becomes essential for Canadian businesses to maintain competitiveness through real-time cost adjustments and strategic pricing responses.

Algorithmic pricing, when implemented responsibly, is a powerful strategic tool that enables Canadian SMEs to compete more effectively globally despite resource constraints while delivering measurable consumer benefits which directly support Canada's broader economic objectives. The CMA appreciates the opportunity to respond to the Competition Bureau's consultation on algorithmic pricing and offers the following comments.

Question 1: Are there other components that the Bureau should consider in defining algorithmic pricing?

Algorithmic pricing exists on a spectrum of technological sophistication and application. The definition should distinguish between dynamic pricing (which responds to market conditions) and personalized pricing (which responds to individual consumer characteristics), as these present fundamentally different competitive and consumer protection considerations.

Algorithmic pricing encompasses automated systems that set or recommend prices for products and services, typically in real-time, based on analysis of multiple data inputs. This technology represents an evolution from traditional pricing methods, enabling businesses to respond instantly to market conditions with speed and complexity far exceeding human capabilities alone.

The Bureau's definition should clearly differentiate between rules-based automation (which follows predetermined parameters) and AI-driven systems (which learn and adapt). This distinction is important as most Canadian businesses currently use hybrid approaches combining rules-based foundations with AI enhancements, often with significant human oversight. Human oversight typically involves periodic review of algorithm performance and outcomes, real-time monitoring of anomalies, and defined escalation procedures for unusual market conditions. These structures help ensure algorithmic decisions remain aligned with business objectives and consumer interests.

Different algorithmic pricing models with distinct characteristics include:

- Dynamic pricing adjusts prices based on broad market factors such as supply and demand fluctuations, competitor pricing, seasonality and external events.
- Personalized pricing creates prices based on consumer-related data including purchase history, browsing behaviour, demographics and location.
- Competitive pricing involves automated monitoring and response to competitor price changes.

As a note, Business-to-Business (B2B) algorithmic pricing operates in fundamentally different contexts than Business-to-Consumer (B2C) applications, with distinct competitive dynamics and consumer protection implications. At a high level:

- B2C-facing applications operate in high-volume, transaction-based environments where algorithms could use data provided through loyalty behaviour, website interactions, and purchase history.
- B2B transactions involve longer sales cycles, higher transaction values, and often involve customized solutions and long-term contracts.

Finally, programmatic advertising, where real-time bidding and algorithmic price discovery are fundamental to digital marketing efficiency and activities, represents a legitimate and essential market function that should not be inadvertently captured by overly broad definitions of algorithmic pricing. Responsible algorithmic pricing does not differentiate pricing based on protected classes (age, gender, etc.) without legitimate business justification. The Bureau could provide clarity through exclusions.

Question 2: How prevalent are pricing algorithms in Canada? Are AI-driven algorithms more commonly used than rules-based algorithms?

The available data would suggest that Canadian businesses are adopting hybrid approaches that leverage both technologies while maintaining human oversight and strategic control.

Question 3: What are the benefits to using personalized or dynamic pricing from an economic perspective?

Algorithmic pricing democratizes sophisticated pricing capabilities, enabling Canadian SMEs to compete effectively against larger domestic and international corporations. Algorithmic pricing empowers SMEs, enabling smaller businesses to compete by:

- Offering real-time competitive response capabilities.
- Optimizing inventory management, which drastically reduces waste and improves margins.
- Enhancing revenue optimization without requiring large analytics teams that SMEs may not be able to tap into.

SMEs make up most Canadian businesses, yet they are disproportionately affected by trade barriers and regulatory complexity because they often lack the legal and financial resources to navigate complex compliance requirements. Overly restrictive regulation of algorithmic pricing could unintentionally widen the competitive gap between SMEs and larger corporations, as large firms have the resources to develop proprietary pricing solutions while smaller businesses would

lose access to democratized pricing tools that level the playing field. For example, a Quebec company aiming to serve Alberta customers might face different tax structures, product labelling requirements, and licensing hurdles, making expansion prohibitively expensive.

Algorithmic pricing helps these businesses optimize their operations and pricing strategies to overcome these barriers by:

- Automatically adjusting for regional cost differences and market conditions.
- Enabling rapid testing of pricing strategies across different markets.
- Providing data-driven insights that help small businesses make strategic decisions.

Dynamic pricing improves resource allocation by:
- Matching supply and demand more efficiently, reducing market shortages.
- Reducing market distortions through responsive pricing.
- Enabling new business models and market entry strategies.

Consumers benefit directly through:
- Personalized promotions and targeted discounts that matter and are relevant to them.
- Better product-market matching, meaning they find what they need more easily.
- Lower average prices through optimized inventory turnover.
- Increased product availability through demand-responsive pricing, reducing instances of out of stock.

Question 4: What are the data sources for algorithmic pricing? How do pricing algorithms use this data to set or recommend prices?

Canadian businesses operate under some of the world's most robust privacy laws. This strong foundation gives Canadian businesses a competitive advantage through ethical data stewardship and enhanced consumer trust.

Businesses leverage data to compete and primarily rely on their own data, such as sales history and transaction patterns, inventory levels and supply chain metrics, customer lifecycle data and cost margin requirements.

Beyond internal data, companies gather market intelligence from:
- Publicly available competitor pricing which is standard competitive analysis.
- Industry benchmarks and market research.
- Economic indicators and demand forecasting.
- Seasonal and trend analysis.
- Third-party data sources such as market data from research firms and industry partners.
- Synthetic data which is artificially generated to mimic real market patters without any personal information.

Pricing algorithms use data through layered decision-making processes to adjust prices based on inventory levels and customer segments to deliver relevant offers for example.

It's essential to distinguish between legitimate data use for independent pricing decisions versus competitively sensitive information sharing or coordination through common algorithms. Legitimate

Canadian businesses use data to compete better and serve consumers more effectively, not to collude. The CMA does not condone pricing activities that negatively impact or bias consumers. These principles are supported by established industry frameworks, including the Canadian Marketing Code of Ethics & Standards, which provide concrete guidance for responsible data use and pricing practices.

Question 5: What are the competition concerns and procompetitive effects of using pricing algorithms?

The Competition Act prohibits price-fixing and anti-competitive coordination, so the tools exist through which to address legitimate competition concerns. Enforcement should focus on genuine anti-competitive coordination while preserving the tools Canadian businesses need to compete effectively.

It's mission critical to recognize the significant procompetitive benefits for Canadian businesses and consumers effects including:

- Faster market responses that push businesses to innovate and respond more quickly to consumer needs.
- Accessible pricing technology means new market entrants can hit the ground running, challenging domestic incumbents and international competitors.
- Flexible pricing models encourage product development and differentiation, leading to more choices for consumers.
- Real-time price adjustments improve price discovery for consumers and market efficiency. Research on [AirBnB's pricing algorithms](#) found an 8.6% revenue increase for hosts while the prices were set 5.7% lower, demonstrating how algorithmic pricing benefits both businesses and consumers.

Question 6: How does algorithmic pricing impact different consumer groups? Could it increase the vulnerability of some consumer groups?

The Bureau should distinguish between exploitative pricing practices and legitimate personalized pricing strategies that enhance consumer value. There's a fundamental difference between using algorithms to exploit consumer vulnerabilities or extract maximum willingness-to-pay and responsible approaches that tailor offers to individual customer needs, preferences, and value propositions, which enhance the customer experience and build brand loyalty.

When implemented responsibly, tailored pricing can reduce consumer vulnerability by:

- Offering personalized discounts to price-sensitive customers.
- Providing customized product bundles that better match individual needs.
- Delivering more relevant promotions that save consumers time and money.
- Enabling flexible payment options that accommodate different financial situations.
- Risk-based pricing for legitimate factors like flood zones or wildfire exposure.

Ride-sharing platforms illustrate how algorithmic pricing can balance business and consumer needs. Price adjustments ensure service availability when consumers need it most. During challenging conditions like severe weather, higher pricing functions similarly to hazard pay, compensating drivers for additional risk and inconvenience while ensuring rides remain available for those who need them at that time specifically, rather than having no service available at all.

Rather than broad restrictions that could limit benefits, regulatory attention should focus on preventing exploitative applications while preserving legitimate value-creating uses. This could include establishing clear guidelines for surge pricing applications. This approach balances consumer protection with the innovation benefits that responsible algorithmic pricing can deliver to Canadian consumers and businesses.

Question 7: What are the challenges for competition law enforcement agencies when it comes to algorithmic pricing, especially with AI-driven algorithms?

Competition law enforcement faces several challenges, including:

- Algorithms that often operate across multiple jurisdictions, requiring coordinated enforcement approaches.

- Rapid pace of technological change means enforcement frameworks must be adaptable while providing clear guidance to businesses.

A focus on outcomes rather than technologies would ensure that enforcement targets genuinely anti-competitive behaviour while preserving the tools Canadian businesses need to compete effectively.

Question 8: What role does AI play in reshaping algorithmic pricing strategies? How is it changing the competitive landscape?

AI is reshaping algorithmic pricing in ways that create significant competitive advantages for Canadian businesses, including:

- Enabling real-time analysis of complex market conditions, competitor behaviour, and consumer preferences, allowing Canadian businesses to respond faster than traditional pricing methods.
- Making personalized pricing economically viable for SMEs, democratizing capabilities previously available only to larger corporations.
- Anticipating market trends and consumer behaviour, enabling proactive rather than reactive pricing strategies.
- Enabling Canadian businesses to optimize pricing across multiple channels simultaneously, improving overall competitiveness.

This evolution is leveling the playing field, allowing Canadian SMEs to compete more effectively against larger domestic and international players while delivering enhanced value to consumers.

In closing

Canada can be a global leader, demonstrating how responsible algorithmic pricing implementation creates competitive markets serving everyone's interests. Approaches that inadvertently restrict legitimate business tools risk undermining Canada's competitive position in the global digital

economy while depriving Canadian consumers of the significant benefits these technologies can deliver.

The path forward requires:
- Recognition that algorithmic pricing is a competitive tool, not inherently problematic.
- Distinction between legitimate pricing optimization and anti-competitive coordination.
- Differentiation between B2B and B2C applications.
- Preservation of programmatic advertising and other legitimate marketing functions.
- Implementation of safeguards to prevent bias and ensure fairness in algorithmic pricing decisions.

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About the Canadian Marketing Association (CMA)
The CMA is Canada's largest marketing association and the voice of the marketing profession. We are the catalyst to help Canada's marketers thrive today, while building the marketing mindset and environment of tomorrow. We represent virtually all of Canada's major business sectors, and all marketing disciplines, channels, and technologies.

Our purpose is to champion marketing's powerful impact. We provide opportunities for our members from coast-to-coast to develop professionally, to contribute to marketing thought leadership, to build strong networks, to meet consumer needs and provide meaningful, trust-building relationships with their customers, and to strengthen the regulatory climate for business success.

Our Chartered Marketer (CM) designation signifies that recipients are highly qualified, with the skills they need to help businesses grow and up to date with best-in-class modern marketing practices, including those reflected in the Canadian Marketing Code of Ethics and Standards and our Consumer Centre helps Canadians better understand their rights and obligations.