

ADÉLE MARITZ

Setting promotional price points – does one cent really matter?

It's an old sales gimmick that suggests that one cent can be worth a lot more than just one cent. Adèle Maritz shares her opinion.

WE'VE ALL SEEN it or done it – promoting an item at R4.99 instead of R5.00. The commonly accepted argument is that the R4.99 will be more closely related to the R4 than the R5. Is it true and what is the psychology behind this?

The answer is absolutely yes, it is true. It does make a difference and many research studies have been done over the past years. One such study conducted by Kenneth J. Wisniewski from the University of Chicago concludes, "when the price of margarine dropped from 89 cents to 71 cents at a local grocery chain, sales improved by 65%. But when the price fell two cents more to 69 cents, sales jumped by an astounding 222%".

It has been termed the 'left digit' effect and suggests that consumers can't be bothered to read all the way to the end of a price, thus R79.99 reads as '70-something-rands'.

Another interesting fact is that research has shown

there is a perceived relationship between prices ending in a 0 and overall quality, on the other hand prices ending in 9 are perceived as better value.

A less well known fact is the psychology of 'emotional thinking', that triggers the 'pain-of-paying' response. Researchers at Cornell University tested this idea and found when a currency sign such as "R" was in front of a price, consumers immediately related it to their own budgets as money that was going to be spent, in the absence of a currency sign sales increased in all their test scenarios. In other words customers are quicker to fork over their hard earned cash if an item is listed for 5.00 instead of R5.00.

Tiered pricing strategies are also well routed in psychology. By giving customers, for example three price options such as low, middle and high, the most and least expensive price points act as anchors and create the perception that the middle option will be a 'better deal'.

CASE STUDY

In the 1990s, retailer Williams-Sonoma unveiled the bread maker and priced it at \$275. Sales were slow following its release, and to address this, the company decided to introduce a more expensive, better-functioning one at almost double the price. The result? The original bread maker started flying off the shelves.

When Williams-Sonoma released the more expensive bread maker, it gave consumers a point of comparison that made the \$275 option look more attractive.

To summarise, what can you implement and test in your store?

- End promotional pricing with X.99c
- When writing in-store special boards and price indicators leave out the Rand sign.
- Ensure that when you merchandise items you group them together and give customers price anchors to create a perception of value around the products you want to sell. <<

Adèle Maritz is the owner of AM Brand Service and offers a wide range of Brand and Marketing services tailor made to fit the specific needs of each client. Contact her at adele@ambrand.co.za or visit www.ambrand.co.za

T-REIGN

Torq Craft™
Power Tool Accessories

Energizer

Outdoor Gear

Whether you're into cycling, trail running by day or night, camping, hunting, photography, need to do bicycle repairs or need cycling kit & accessories, **Torq Craft** has a range of outdoor accessories for all adventures!

**ADVENTURE
PLAY
SPORT**

www.torcraft.com

Vermont Sales
SOUTH AFRICA'S #1 SUPPLIER (Pty) Ltd
of power tool accessories
Powered by Service
Trade Enquiries 011 314 7711
www.vermontsales.co.za

Bicycle not included