

Neuromarketing Tips & Insights

The Secrets of Product Pricing : 4 simple ways to sell more

Imagine this: you're pulling an all-nighter working on a looming deadline when you go to make yourself that all-important 10th cup of coffee – only to find you're out of milk. Disaster. No milk = no coffee and no coffee = no party, at least not for me.



Just last weekend, I found myself driving the streets of my little town at 2am desperately trying to find an open shop. As was to be expected, it wasn't easy. "Don't they want to make money?" I asked myself. Surely, being open 24/7 should bring in more revenue to the company, right? But then again I guess all the overheads are hardly going to be covered by the odd workaholic running in to buy a pint of milk every now and again!

What about your business? Have you ever wondered if it would be beneficial to get your sales team working through the night? Well, you don't need to! You've already got something working on your behalf 24 hours a day, 7 days a week, 365 days a year – it's all down to how you price your products!

Your website's pricing table is a kind of virtual sales team that is constantly working and, by implementing some of these intelligent pricing techniques, you'll find it starts working even harder – even when you're at home in bed.

How to choose your prices?

1. What a difference a penny makes...

Everyone has seen the strategy of Charm Pricing, for example "\$2.99 today" or "just \$399" and everyone knows as well that, rationally, it's only a cent or dollar less than its rounded

cousin. Unfortunately our brain is biased to this type of nuance and is likely to let itself be fooled time and time again! The proof: using these “charm” price endings increases sales by up to 28%, according to William Poundstone in his book [Priceless](#).



Even the biggest brands make use of this Charm Pricing effect

According to the Journal of Consumer Research Inc from June 2005, the human brain is susceptible to “[The Left-Digit Effect in Price Cognition](#)”, meaning that we read numbers from left to right so a price starting with “2” will automatically seem significantly lower than one starting with “3” even if it is only marginally cheaper in reality.

So should you ban all round numbers from your pricings? Not necessarily – it depends just what you’re trying to sell and whether it will appeal to your customer’s emotional or rational side...

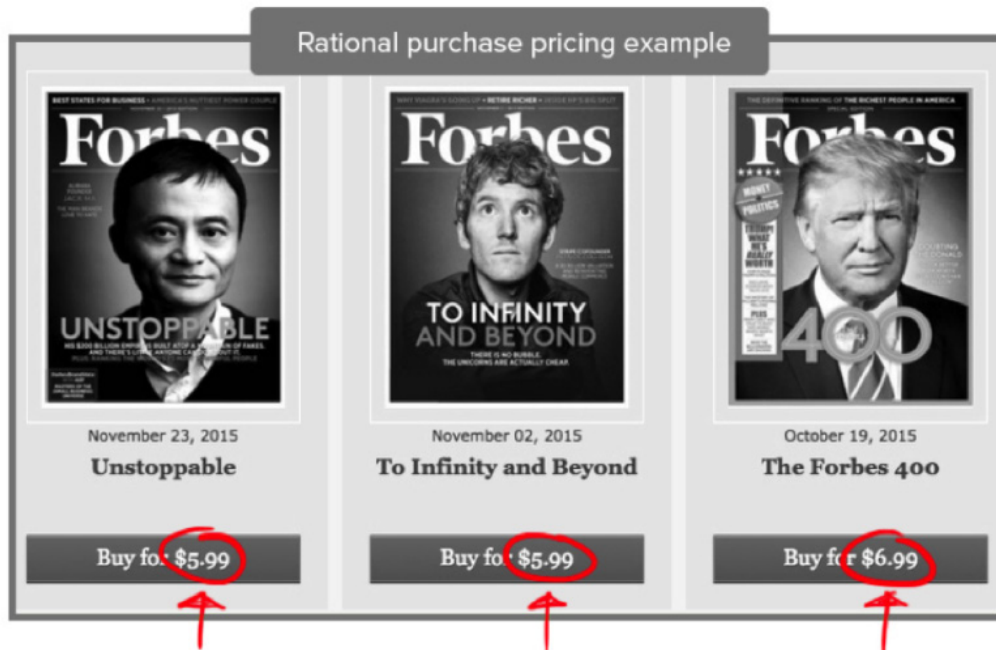
2. Simpler is always better – or is it?

Why do rounded prices sometimes work better for our sales than non-rounded prices and sometimes the other way around? It’s all to do with **price processing fluency** and whether a purchase is rational or emotional. Being able to recognise the difference, and knowing how to price accordingly, is vital.

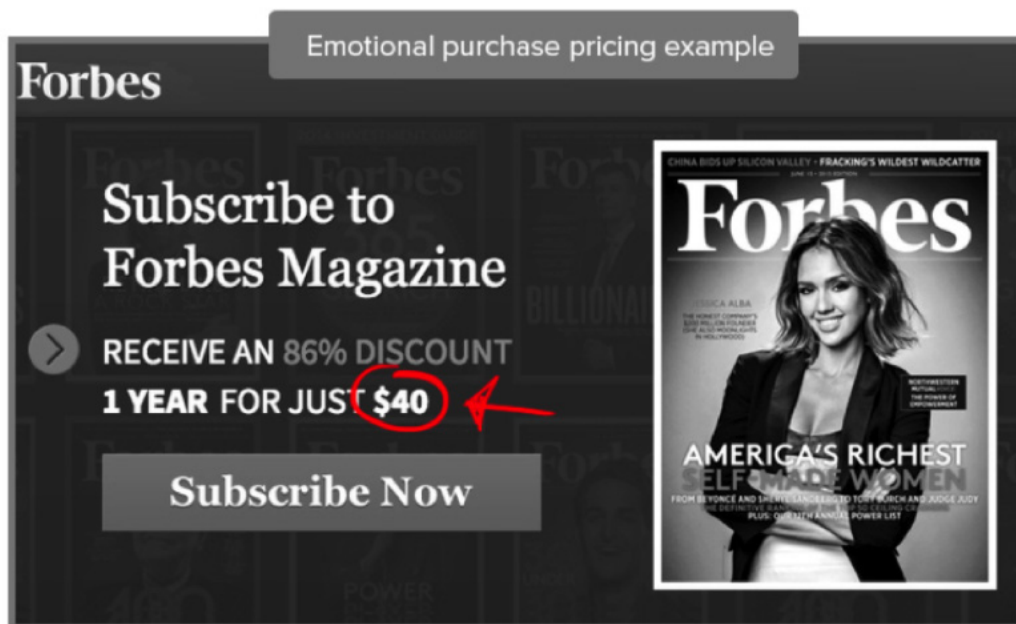
Monica Wadhwa and Kuangjie Zhand wrote an excellent article – “[This Number Just Feels Right: The Impact of Roundedness of Price Numbers on Product Evaluations](#)” – where they found that rounded prices are processed fluently by our brains, meaning that whenever we are considering an emotional purchase the nice and easy processing of a rounded number will just “feel right” and help us to make our decision. However, the opposite is true for non-emotional, rational purchasing decisions where non-rounded numbers, which require more mental calculation and therefore seem to have more synergy with the rationality of the

purchase we are about to make, will equally “feel right” in their own way.

Let’s take the example of Forbes magazine, who apply this pricing strategy on their site. Say you’re looking to buy a particular issue of their magazine because there’s an article or feature you’re interested in. The purchase of this issue is a rational one and therefore the price of \$5.99 works well.



However, purchasing an annual Forbes Magazine subscription is a different type of decision: you don’t know what will be in every issue but you have found an identification and connection with the Forbes brand. This purchase is therefore an emotional one and so you want a nice, simple figure to align with this and the rounded \$40 works perfectly in this case.



Forbes knows how to distinguish between rational and emotional purchases...
and to price accordingly!

How to influence buyer perception?

As shown above, making your prices more attractive can be done through playing with the prices themselves, yes, but can also be done through influencing your customer's perception of them!

1. How to create great value

How much does an elephant cost? Come on, you know...It's 3 years old, weighs around 2.7 tonnes. Still don't know? Maybe you could make an educated guess? No? Not surprising really – it's unlikely your brain can find any pricing references on which to base an estimate of how much an elephant costs. Unless you happen to have purchased one recently that is...



However, if I tried to sell you a pint of milk for \$100 you would automatically say: are you mad? And you'd be right... no pint of milk could ever be worth \$100, and we know this because it's something we buy regularly and for which we have plenty of referencing points.

We all have different sorts of references that come from our previous experiences, other competitors etc. The aim of the game therefore is to make your product price look cheaper than the average customer's price reference. The reason I say "look" cheaper is because it doesn't need to actually be cheaper. For example:

Instead of writing, say, \$69 per month, you could place emphasis on the daily equivalent, which is \$2.29 per day. You can even link this daily price with something really easy to visualise: "less than a cup of coffee per day". See the below clever and persuasive advert from [Memphis Principle Toyota](#):



Ok, so now you've got your smaller equivalents on display but is there a way to increase your customer reference price as well?

According to research done by **Adaval & Monroe**, exposing customers to a high number before showing them your product prices can be very effective! The first reference number anchored in their mind is high which will therefore help to make your prices seem much lower comparatively. Any large number could be effective – from mentioning your 13,500 happy customers to writing about your 800,000 daily traffic limit, for example.

2. Less pain, more sales

Last but not least, it's important to understand that every purchasing process incites something known as the Pain of Paying. I'm sure you've all felt it...that moment of getting your wallet out and parting with yet more hard-earned cash is rarely a pleasant one.

Let's imagine we're going on holiday together. You purchased the all-inclusive package, which includes all drinks, whereas I opted for a cheaper package, which doesn't include any drinks. Even if during our holiday we don't end up drinking that much and so my overall spending is less than yours, your holiday experience will actually be much better than mine. That's because you don't have to think about money or paying at all whereas I will feel the pain of paying every time I have to buy a drink.

If you want to motivate your website visitors to make purchases, you need to reduce this “pain of paying” as much as possible. There are many ways you can do this:

Introducing one-click payment is one simple way of making the purchase process quicker, simpler and therefore – yep, you guessed it – less painful for your customers. Not having to go through the whole rigmarole of entering their credit card, delivery and other details each time means you will not

only be removing those extra references to the amount they're spending but also saving them time which is a win-win.

Another good way of reducing the pain of paying is to make sure that original (higher) prices are visible somewhere when displaying discounts. This visual reminder of the discount will highlight the deal they are getting, helping to reduce your customer's pain of paying.



Apple highlight their promotions by leaving the original prices displayed and crossed out.

These are just a few tips that I hope will help you to create a more persuasive pricing table and make the most of your very own 24/7 virtual sales team. If you have any questions, I'd be more than happy to help – just drop me a line at aleksander@convertize.com.

