Mind Your Pricing Cues

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The Price Is Right?

Yogurt
$1.99

35-mm Film
$8.99

Combination TV-DVD Player
$299.99
What’s wrong ???

• Consume Have low Pricing Awareness

• Comparison Shop, don’t guess

• Bad habits of relying on retailers to tell us prices
Tools of The Trade

- Sale Signs
- Prices ending in “9”
- Signpost Items
- Pricing Guarantees
Sales Signs

- Most Straight Forward of pricing cues
- Displayed near Discounted Item
- Uses The Word SALE
- Can Increase Demand by 50%
Which retailer should you choose???

$2600
35% off
$4000

$2320
Sale
$2170
Advantages And Disadvantages

Pros
- Low Cost
- Easy to apply
- Effective
  - Up to 50% sales Increase
  - Can increase productivity of other departments

Cons
- Can be deceptive
  - Prices may not actually be lower
- Overused
- Diminishing Returns
- Can Harm Store Credibility

[Bar chart showing change in category demand (percentage) for frozen juice items with sale signs, indicating too many sale signs.]
Prices That end in “9”

- Increases Demand by appearing to be less expensive
- Studies show increased revenue by 8%
- Consumers are more sensitive to price endings rather then price
- Most common Miscue
Signpost Items: intended to be used on products for which price knowledge is accurate

- Benchmark Items ($12NT/ a cup of bubble tea)
- Accurate, Popular, and Complimentary
- Guides the purchase decision for less familiar items
- Can help predict overpricing of non-familiar items
  - Retailers should maintain low price reputation
Pricing Guarantees

- Price Matching - Meet or Beat the Competition
- Reassures Consumers
- Instills common pricing among retailers
- Most affective with low price awareness; it doesn’t make sense if your prices tend to be higher than your competitors.
- Not effective with private labels
- Avoided by small product differences
Tracking Effectiveness

- Measurement is essential: Which items should receive the cues & how many should be used?
- Long-run impact of Cue’s need to be considered
- Focus on quality
- Keep other departments in mind
For conclusion

- Consumers Need Product and Pricing Information
- Long run effects are more important
- Be consistent and Reliable with Pricing
Thank You!