



Advice

Psychology of Selling

The lowest price doesn't always win the sale

Even with instant price comparisons,
good margins are still attainable



EVEN IN THIS brave new world of instant in-store price comparisons via mobile technology, there are simple, proven price strategies that still work – and have worked for years. The strategies all have the same desired outcome: to close the sale by selling product at a good margin rather than deeply discounting to boost sales.

To understand why the following pricing methods work you need to understand

two things about human nature. 1. We're twice as likely to avoid loss (or the perception of it) than seek a win. 2. We see money as good and having to give it up as bad. Hence, the way we frame a sale or price is very important. For example, the use of the word "save" makes customers think of how much money they'll save versus how much they'll spend. This is why many stores print a reminder on their

receipts a la, "You saved \$xx by shopping with us today!"

One of the oldest price promotions, which still excites customers, is the gift with purchase (GWP) promotion. It works because people love to get free stuff (just as much as they love to save). GWP promos work best when the gift has a high perceived value. In fact, if the gift doesn't have a high perceived value then the impact of the offer is greatly diluted.

Another powerful price strategy is the purchase with purchase (PWP) promo, which generally offers an item with a high perceived value at a very low price when combined with the purchase of another item or group of items at regular price. Department stores have used this strategy for years, particularly with stuffed animals offered for \$10 when the customer spends \$50 or more. The stuffed animal has no reported retail price, but its perceived value is more than \$30, resulting in an irresistible offer.

A close cousin to GWP and PWP is the multiple pricing scheme "buy two, get one free", or any other variation that encourages the consumer to purchase more. This relies on the age-old axiom "cheaper by the dozen". Customers assume, correctly, that the increased volume of the purchase nets them a better deal, even though they often don't need four of five of the same item. Smart retailers capitalize on this belief. ■

James Dion has a bachelors and masters degree in psychology from the Chicago State University and a Ph.D. in industrial psychology from the Illinois Institute of Technology. Coupled with 30 years of hands-on retail experience, he's one of the most sought after retail consultants internationally. He's also the author of three books including Retail Selling Ain't Brain Surgery, It's Twice As Hard.