



Advice

Psychology of Selling

This article was written exclusively for Retail Magazine News a magazine by the Canadian Gift & Tableware Association (CGTA). For additional interesting retail content, go to www.cgta.org

Emotionally appealing promotions are losing propositions for customers

James Dion explains why our desire not to lose is greater than our desire to win



LOGIC AND EMOTION are components of our personalities, and both affect our purchasing decisions. How much of our shopping behaviours are based on rational thought vs. emotional, even irrational, behaviour? It depends.

When it comes to price, emotion rules. People will drive five kilometres to save \$5 on a tank of gas even though it likely cost

\$5 in gas to drive the further distance. Likewise, people will drive 20 kilometres to save \$20 off a \$100 item, yet they won't drive the same distance to save \$20 off an \$800 item, even though the dollar savings is the same.

Low prices and savings are psychologically appealing because they stimulate an area of the brain that gives us pleasure. We

view that low price or savings as a victory, which is why “buy two, get one free” promotions attract customers, whether or not they need that third item. If consumers were thinking logically, they would ask for a 33 per cent discount on each of the two items and forego the free item.

How should a retailer speak to the emotional side of the consumer's mind? You could sell low-quality products at rock bottom prices to excite them or inflate the regular price to show a larger savings, but ultimately the most honest way to communicate with customers is the best way. Telling customers that there's no such thing as a free lunch using logic and an emotional appeal is the way to go since psychologically we're more concerned with losing than we are with winning, and we'll often spend more time, energy and effort making sure we don't lose than we will spend trying to win.

A smart retailer will frame their communication to customers in a way that reassures them they're not making a mistake. The word “guarantee” actually has more power than “save” and also has an emotionally comforting aspect to it.

Almost 100 years ago the British social critic John Ruskin wrote, “It's unwise to pay too much, but it's worse to pay too little. When you pay too much, you lose a little money – that is all. When you pay too little, you sometimes lose everything because the thing you bought was incapable of doing the thing it was bought to do.” ■

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*.