

Background

The psychology of pricing

As you drive along the west coast of the USA, you can't fail to notice the 99 Cents Only stores. This is for two reasons: One is because there are a lot of them. ¹_____ The story behind the 99 Cents Only stores begins in the early eighties. Its founder, David Gold, ran a liquor store in Los Angeles. He had some boxes of cheap wine he wanted to get rid of so put them outside the store with a sign saying 'ninety-nine cents a bottle'. Within less than a day all the wine had been sold. The fact that some of the wine had originally been sitting on his shelves for some time priced at only seventy-nine cents, made it doubly surprising for Gold.

²_____ In 1982 Gold opened a shop where everything was ninety-nine cents. On its opening day he sold TVs for ninety-nine cents. The store slogan was 'Open 9 days a week'. Now, thirty years later, David Gold is a millionaire, there are well over 200 of these stores (along with many other **imitators**) and they still have special offers, such as iPod nanos for 99 cents to the first nine customers.

So what is it about the magic number '9'? ³_____ In his book *Priceless* and on his blog, the journalist, William Poundstone, cites many more examples of the power of 9 as he explores the psychology of shopping. Take iTunes. Long before Apple supplied music, people happily downloaded it for free. Now they prefer to pay 99 cents per download instead.

Poundstone has also found numerous other examples of where marketers succeed in **prompting** us to pay a price by tapping into our **subconscious**. For example, take the luxury fashion

store that only carries one of its most expensive handbags worth five thousand euros. The reason? Because they don't expect anyone to buy it. Customers have no idea what the real price should be for such an item but they see that everything else is within their price range. ⁴_____ Even in online shopping, it's been demonstrated that customers spend more at a website with a background of small pennies than a background of clouds.

A more modern example of how telephone companies continually **baffle** the consumer with price is through the 'bundling' of services. Our mobile phones provide so many different services nowadays that we receive bills with an endless list of prices, surcharges, and add-on fees. By putting them all together like this, the company knows customers **can't be bothered** to **trawl** through and check if they are getting the best deal possible.

Still think you can't be **fooled**? Well, what about that product you have faithfully bought year after year? Imagine it is your favourite brand of ketchup and one day it appears on the shelf in a newly designed bottle. It even has a new kind of top that **squirts** the ketchup in a different way. Perhaps the reason for this change in design is to make your eating experience even greater. ⁵_____ In fact, the most likely reason is that they are selling you less ketchup for the same price. You can do this particularly well with bottles by enlarging the **dimple** at the base. It's an old trick that magicians have used for years – **distract** the observer from what's really going on by drawing their attention elsewhere.

Exercises

1 Discuss as a class.

- 1 When choosing a product, what affects your decision the most? Packaging? The brand? The price?
- 2 How do you know if you are getting a good price? What can you do to check?

2 Read the text and match these sentences to gaps 1–5 in the text. There is one extra sentence.

- a Then of course there's also our favourite drink which we are prepared to pay five times more for in a fancy hotel than from our local supermarket.
- b It seems to be a number that makes people buy products they wouldn't normally.
- c Most people don't even realize they are spending more than they need to.
- d It was a life-changing moment.
- e Perhaps they have changed the ingredients but want to reassure you that you'll still enjoy the taste.
- f The second is that most of us take extra notice of any price ending with the number nine.

3 Read the text again and answer these questions.

- 1 Why do luxury shops have an item that normal people won't buy?
 - a Because it makes everything else look affordable.
 - b In case one rich person does come in and buy it.
 - c To make them feel they are in a place where rich people shop.
- 2 What is bundling?
 - a When you break each service down into separate prices.
 - b When you offer discounts for different services.
 - c When you offer a few services together for one price.
- 3 Why does the writer think marketing is similar to magic?
 - a Because you make sure the customer only looks at what you want them to.
 - b Because the customer always wants to know what's underneath the packaging.
 - c Because marketing is similar to a performance.

4 Match the words and phrases in bold in the text to definitions 1–10.

- 1 search through a long piece of information: _____
- 2 confuse: _____
- 3 part of the mind which influences your behaviour: _____
- 4 no time or interest in doing something: _____
- 5 people who copy an idea: _____
- 6 to take someone's attention away from something: _____
- 7 reminding people to do something: _____
- 8 tricked: _____
- 9 small hollow place: _____
- 10 forces a liquid through a small gap: _____

5 Look back at the text and choose three words that you could use in your day-to-day work.

6 Work with a partner. Discuss these questions.

- 1 Do you think you are attracted by prices ending in the number 9?
- 2 What techniques do advertisers use to reach our subconscious?
- 3 Name one of your favourite brands. What factors would make you stop buying it?