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The price is more than just an economic value

Presented by

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1. Outline

1.1 Topic
   a. How the elements, other than the economic value, of the price influence the consumer’s behaviour in supermarkets.

1.2 Topic description
   An evaluation of the theory of consumer behaviour and how they are influenced by different elements of the price in the buying decision is going to be undertaken. Also, an investigation of the different effects that the various elements of the price that affect its perception (phonetics, nine-ending numbers and odd pricing).

1.3 General Objectives
   To explore the implications of the customer price perception in marketing.

1.4 Specific Objectives
   1) To look at the pricing strategies in supermarkets and confirm the use of psychological pricing.
   2) To investigate the effect of .99 prices in customers perception.
   3) To study how the phonetics of a price may influence buying decisions.
   4) To research the perceive value of a whole and an odd price.

1.5 Problem or question
   How do the elements of price influence consumers in supermarket pricing?
1.6 Theoretical framework

Research has shown that price is perceived by consumers for more than just its economic value, and as marketers it is essential to take into account these elements to attract more consumers to the product or service.

For the research, three existent theories are going to be the primary resources.


The price is more than just an economic value

“The way you set prices doesn’t just influence demand. It also guides the way buyers use your product or service – and that can have a lasting impact on customer relationships” (Gourville & Soman, 2002).

2. Introduction

How the elements, other than the economic value, of the price influence the consumer’s behaviour in supermarkets is going to be the core topic for this research paper. An evaluation of the theory of consumer behaviour and how they are influenced by different elements of the price in the buying decision is going to be undertaken. Also, an investigation of the different effects that the various elements of the price that affect its perception (phonetics, nine-ending numbers and odd pricing).

The general objective is to explore the implications of the customer price perception in marketing. More specifically, to understand the pricing strategy that supermarkets are currently using and confirm the use of psychological pricing in this strategies. To investigate the effect of .99 (nine-ending) prices in customers perception. To study how the phonetics of a price may influence buying decisions. And to research the perceive value of a whole and an odd price.

All of this brings-up a first question to develop throughout this research: How do the elements of price influence consumers in supermarket pricing?

Research has shown that price is perceived by consumers for more than just its economic value, and as marketers it is essential to take into account these elements to attract more consumers to the product or service offered.

For the research, three existent theories are going to be the primary resources.


Buying decision from consumers are influenced by various factors which include social, personal, economic, situational, cultural and psychological factors; price is an example of an economic factor as perception is of a psychological factor (Ieva & Elina, 2008). However, there are different aspects of the price, other than the economic value, that can affect a buying decision. When bringing these two factors together, the result is pricing psychology. Consumers have an acceptable price range and if a price is too high or too low, it might not be good for the perception of the product; quality of the product or service and value of money are key factors. It is important for retailers to develop a psychological pricing strategy, so that consumers have the best price perception (East, 1997) and this way the seller will maximize sales.

Price is without a doubt, one of the most important cues in the marketplace; this is due to the fact that it is present in most purchase situations. Price is a complex stimulus and consumers perceive price more broadly than the strict economic value (Lichtenstein, Ridgway, & Netemeyer, 1993). Studies have shown that price is more than just an economic value of the product; numbers in the price and other elements affect the consumer perception in the decision making process, a process that is going to be explained later in this paper. A few cents higher or lower in the price can make a difference to sales and will not affect the profitability of the retailer (Boyes, Lynch, & Mounts, Why odd pricing?, 2007). The phonetics and the numbers that compose the price have an impact on its perception.
This research paper will first define some concepts that are important for the topic and that may be ambiguous. Secondly, three theories about pricing strategies and psychology will be explained: 1. Nine-ending numbers 2. Odd pricing and 3. The sound of prices. Thirdly, this research will give details of the application in a supermarket. The pricing strategies used in supermarkets, and how this links to the theories mentioned above and the implications for marketers will be presented.
3. Core Research

It is essential to define certain terms that can be interpreted in different ways. **Consumer behaviour** is “The totality of consumers´ decisions with respect to the acquisition, consumption, and disposition of goods, services, time, and ideas by human decision-making units (over time)” (Hoyer & MacInnis, 2010). **Price** is “The formal ratio that indicates the quantities of money goods or services needed to acquire a given quantity of goods or services.” (American Marketing Association (AMA), n.d.). Price is formed by many elements and they all affect the decision of a consumer; this paper will focus on the numbers that make up the price, and its phonetics. This leads into price psychology, which is the method of setting prices to attract consumers (American Marketing Association (AMA), n.d.). **Attention** is the content of short-term memory in a consumer, which can be attracted with internal or external stimulus. As marketers, it is essential to capture consumers´ full attention; this can be done with conscious or unconscious elements, such as pricing psychology (Jansson-Boyd, 2010). The consumer obtains information of a product by different senses (smell, touch, sight, taste and hearing) some of them in the market place or when experiencing the product. Price perception, which is conveyed by the sense of sight of a person, helps the consumer in the buying decision making process (Jansson-Boyd, 2010).

Most products in a supermarket are low involvement products. Consumers have various ways of making a low involvement decisions, one of them is the price-related tactics; used by 26% of the shoppers. This tactic refers to a simplifying decision heuristic that is based on price; this means that the consumer decision process is based on the lowest or on the best perceived deal of the princes on the product. The attractiveness of the price is how a consumer perceived the value of the price; it is directly related to pricing psychology (Hoyer & MacInnis, 2010).

Consumers compare the real marketplace price with the internal reference they have of a product, when they are judging the attractiveness of the prices in the market. The perceptions and the measures of a price depend on the individual judgments, experiences and values of each one. The perception of a person is a
psychological and non-conscious judgement. People’s perceptions are then taken to the short-term memory by the attention a consumer got from a price. With this information and fast thoughts a buying decision is made and an action is taken (Janiszewski & Lichtenstein, 1999).

Research demonstrates that buying groceries in a repetitive way and as a routine is viewed as low involvement decision-making process. This is due to the fact that consumers are not seeking for product information or any substitute products, and their choices and decisions are limited to only few product attributes such as packaging, name, brand, and the one this essay is going to consider the most: the price (Monga & Ritesh, 2008; Mortimer & Weeks, 2011). The price of a product has an unconscious effect on the consumer on how the information they are evaluating is delivered. This results in a smaller or larger perception of the price (Coulter & Coulter, 2010). Prices can be considered in two ways, either objectively or subjectively by consumers; when a price is objective, it is a key aspect of choosing a product. It is contended that a customer’s price consciousness is a strong motivation to consider in the information obtained from the price (Mortimer & Weeks, 2011).

In addition, because of these, it is essential to attract the attention taking into account the product price perception. This research gives three theories of consumers’ unconscious price perception, the reaction to nine-ending numbers, odd and even numbers and the phonetics of the price.

3.1 Reaction to nine-ending prices
Recent studies suggest that the last digit of a price can have a significant impact on the retailer’s revenues. Previous studies have confirmed that when a price ends in 99, consumers have different perceptions of it than when it ends in other numbers (Thomas & Morwitz, 2005). Not always, but sometimes, retailing consumers perceive nine-ending prices to be much lower than one cent higher prices. For example, $5.99 versus $6, when price is marked it is perceived to be lower than just that one cent of difference. Thomas et al. (2005) show that when a price is lowered by one cent to a 99 ending, this influences perception when the left
hand digit changes (e.g. $4.00 to $3.99 or $10.00 to $9.99) but the perceived magnitude is not affected if the left digit remains the same (e.g. $4.20 to $4.19 or $10.50 to $10.59).

In the same school of thought, Schindler and Kirby (1997) suggest that consumers are affected with nine-ending prices with a perceived-gain effect; customers think they are getting a good deal, or a discount, of the purchase. This is due to the fact that consumers have, most of the time, a whole number as the internal reference prices and this result in the perception that the price is lower than the reference. For example, when a consumers interpret a $39 as a $1 discount from $40.

Products that have prices ending in 99 are more likely to be judged as products on sale than those with 00 ending prices. Consequentially, consumers are going to believe that the 99 ending prices are the lowest prices they can find a product (Schindler, 2006).

The nine-ending price theory varies according to the currency of each country. For the United States of America the theory works perfectly with 99 or 9 ending prices because they still have one cent coins (pennies). For Australia, it will work with prices ending in 95; since the smallest piece they have is five cents. For other countries like Colombia, where the smallest coin regularly used is $100 pesos and the cents do not exist, the theory will change from 99 to 900. For example, instead of a product showing a price of $3,000 it will show $2,900, compared to other countries where the price will be $2.99 instead of $3.

3.2 Odd and even pricing
In contrast to the perception of nine-ending numbers, the theory of odd pricing by Boyes, Lynch and Mounts (2007) suggests that odd and even, or whole, number prices affect consumers’ perceptions. Odd prices are those that end in 5, 7, 8 or 9 and they are slightly lower than the equivalent whole prices (e.g. $199 [odd price] vs. $200 [whole price]). The popularity of odd prices evidences the common belief that these types of prices will produce a higher than expected demand and sales;
the demand curve is thought to be upwards at odd price points (Holdershaw, Gendall, & Garland, The Widespread Use of Odd Pricing in the Retail Sector, 1997).

Boyes et al. (2007) show that consumers do not take into account the odd digits in prices, so a product that is priced as $299 is viewed as $200 and not as $300 or a $39 price will be interpret as $30 and not as $40, although this price is closer. The perception of the price is lower when using odd numbers to end the price, again this is a result of the internal reference price of consumers.

3.3 Phonetic symbolisms, sound of the price
Phonetic symbolism is the capacity of certain phonemes or word sounds to express information and therefore influence perceptions (Eysenck, 1979). Research undertaken by Lowrey, Shrum, and Dubitsky (2003) suggests that the phonetics of a word may influence what the word communicates, and will influence the perception of the information that it expresses. As well, previous research done by Sapir (1929) demonstrates that the vowels and the consonant sounds can symbolize concepts like size.

Coulter et al. (2010) demonstrate that when prices are spoken in English, those with front vowels (as e [bee], i [hit], a [hate] or e [test]) or fricative consonants (as s, f, v and z sounds) are perceived as smaller than numbers with back vowels (as a [ban], u [food], u [put], o [home], o [caught], u [duck] and a [cat]) or stop consonants (as p, k, t, b, g, d and hard c sounds). These perceptions of smallness and largeness are not conscious and affect the value associated with the sale price.

Seven dollars and sixty six cents ($7.66) or two dollars and thirty three cents ($2.33) are perceived as lower prices than seven dollars and twenty two cents ($7.22) or two dollars and twenty two cents ($2.22).
Table 1

<table>
<thead>
<tr>
<th>Vowel:</th>
<th>Letter and pronunciation</th>
<th>Hypothesized perceptual effect</th>
<th>English&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Chinese&lt;sup&gt;b&lt;/sup&gt;</th>
<th>Spanish&lt;sup&gt;c&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Front</td>
<td>e (bee), i (hi), a (hate), o (test)</td>
<td>Smaller</td>
<td>3, 6, 7, 8, 10</td>
<td>1 (yee), 7 (chee)</td>
<td>3 (tres), 6 (seis), 7 (siete)</td>
</tr>
<tr>
<td>Back</td>
<td>a (ban), u (food), u (put), o (home), o (caught), u (duck), a (cot)</td>
<td>Larger</td>
<td>1, 2</td>
<td>2 (uhr), 3 (sahnr), 4 (suhr), 5 (woo), 8 (bah), 9 (jyo), 10 (she)</td>
<td>1 (uno), 2 (dos), 8 (ochos)</td>
</tr>
<tr>
<td>Consonant:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fricative</td>
<td>s, f, v, z</td>
<td>Smaller</td>
<td>4, 5, 6, 7, 10</td>
<td>3 (sahnr), 4 (suhr), 10 (she)</td>
<td>6 (seis), 2 (dos), 3 (tres), 4 (cuatro), 10 (diez)</td>
</tr>
<tr>
<td>Stop</td>
<td>p, k, t, b, g, d, hard c</td>
<td>Larger</td>
<td>2, 10</td>
<td>8 (bah)</td>
<td></td>
</tr>
<tr>
<td>Vowel/consonant:</td>
<td></td>
<td>Smaller&lt;sup&gt;d&lt;/sup&gt;</td>
<td>3, 6, 7, 8, 10</td>
<td>1, 7</td>
<td>3, 6, 7</td>
</tr>
<tr>
<td>Front/stop</td>
<td>fizz</td>
<td>Larger&lt;sup&gt;d&lt;/sup&gt;</td>
<td>1, 2</td>
<td>2, 5, 8, 9</td>
<td>1, 2, 4, 5, 10</td>
</tr>
<tr>
<td>Back/stop</td>
<td>pad</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<sup>a</sup>English number “nine” does not fall into listed categories and therefore is not included in table.

<sup>b</sup>Chinese number “six” does not fall into listed categories and therefore is not included in table.

<sup>c</sup>Spanish numbers cinco (5) and nueve (9) contain both front and back vowel sounds and therefore are not included in table.

<sup>d</sup>The (th) diphthong in the English number “three” is typically not classified within either fricative or stop consonant categories, and hence, 3 may be associated with perceptions of smallness.

Source: (Coulter & Coulter, 2010).

The same way that the nine-ending price theory depends on the currency; this theory of sound depends on languages. Some languages do not have the same sounds as English, Chinese or Spanish; but they have sound that will as well have an impact on size and affect the price perception.

To be able to apply the theory of consumer buying behaviour, it is essential and critical for an effective and efficient retail decision making that supermarkets develop and adopt strategies that will fit their values and ethics and their business visions (Journal of Retailing, 2009). Supermarkets have different strategies for selling and maximizing their profits: strategies such as everyday low prices (EDLP) or promotions are used to attract more consumers to the stores daily (Ellickson & Misra, 2008). There is little information on how supermarkets choose strategies; it depends on the target audience they want to attract, the location of the store (rural, urban, inner city or suburbs), the action and strategies that the competitors are using and the supermarkets capabilities to run against the competitor or new participant to the market (Ellickson & Misra, 2008).

At supermarkets, 80 percent of the prices are odd and the majority of the time advertising that includes prices is set a few cents or one or two dollars below a whole number; practising odd pricing (Boyes, Lynch, & Mounts, Why odd pricing?,

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In another analysis made by Holdershaw, Gendall and Garland (1997); a sample of 840 prices advertisements revealed that odd pricing was the most common of the ending in prices, particularly those ending in nine. The study showed that 87 percent of prices were considered as odd prices, 60 percent were nine-ending prices, 30 percent were five-ending prices. Summing, the prices ending in nine or five were a total of 90 percent of all the advertising studied; adding up the zero-ending prices the numbers came up to 97 percent; with the remaining digits accounting for only 3 percent (1, 2, 3, 4, 6, 7 and 8). It does not matter the methods the retailers and the supermarkets use, the trends throughout the years are consistent, odd numbers, nine-ending prices.

Regardless of how, or which strategy is adopted by the supermarkets, there is evidence that in Brisbane, Australia, two of them, the most popular and the biggest ones, apply the theory of pricing psychology. This can be demonstrated on the one hand, with Woolworths where the prices end in .98 or .95 (taking five key products of a supermarket: two kinds of apples, tomatoes, carrots, brown onions and two kinds of potatoes), the nine-ending theory is combined with odd pricing and front vowels and frictional consonants. Wanting to show with the nine-ending theory that the consumer is going to have a $1 discount on the purchase (See appendix 1) (Woolworths, N.D.). On the other hand, Coles, the second giant of the supermarkets in Australia, applies pricing psychology, but with whole numbers that use front vowels and frictional consonants; wanting to show that they are not on promotions but that they have low prices everyday; this is evidenced in the store’s catalogue (See appendix 2) (Coles, 2011); all of these applications are based on the finding of consumer behaviour research. Both of the supermarkets use the phonetics so that consumers have a lower price perception.

As marketers it is important to take into account the reference price range the consumer has for a product, with this the pricing strategy is going to be more effective. Consumer might not care if the price difference of two competing products is just few cents lower or higher, but as a non-conscious effect they are attracted by the price to one product or to the other one.
As strategy it is also essential to take into account that consumers are more responsive to a decrease on price than an increase on it and this is where the odd numbers can have a crucial effect on the price perception. It is also significant, to do promotions with the same price psychology strategies and to carry them out in a limited time period and this way consumers will value more the offers. To have everyday low prices will make the average reference price of the products lower, affecting the entire market.

Marketers have to take into consideration the economic situation the target audience is facing to create an excellent pricing strategy, due to the fact that consumers are more price-conscious and want to save every cent possible in difficult economic times. Price consciousness, also grows when big companies that offers everyday low prices enter the market. As a result, price strategies have to adjust to the current circumstances the supermarket is facing.

Price is a product feature that tells the consumer how to use the product or service (number of times, length, etc.) and it also an attribute that is capable of reinforcing customers relationships. A good use of pricing is a sign of and excellent road to a successful business.

To conclude, consumers are influenced by many factors when making a buying decision, the price is a big influencer and this is why it is necessary to put extra attention to it, and create strategies that will attract the consumers’ attention. Theories like the ones presented in this essay, nine-ending numbers, odd pricing and sounds of a price, make pricing strategy a lot more efficient and effective to increase supermarket sales. The non-conscious behaviours of consumers have to be well used in marketing and in the process of creating strategies, they can mean the difference between the own product and the competitors.
4. Conclusions

Consumers are influenced by many factors when making a buying decision; not only the environment but also the product attributes and the products physical characteristics as the package, the name and the price. The price is one of the tactics that most shoppers use when faced to a low involvement decision making.

Supermarkets should develop marketing pricing strategies that include pricing psychology in order to attract more attention from consumers, and make the products to be more likely to be purchased. Pricing strategies complements the marketing strategy, with more efficient and effective results and an increase on sales. This pricing psychology is mostly a non-conscious behaviour and marketers should know how to make a good use of it.

Strategies are also an excellent way of differentiation between the own product and the competitors. A competitive advantage in the mind of the consumers can grow and be developed from the pricing strategy.

The implication of the consumer price perception in marketing was explained thru the entire research paper: whole and even prices, nine-ending number prices, and phonetics of the price. The research showed that the pricing strategies in supermarkets are essential and that they are using psychological pricing. The effects, influences and perceived value of the .99 prices, the phonetics of prices and the whole and odd pricing were evidenced.

For further research it is important to make in depth studies of the pricing effects and influences, all the studies undertaken for the different theories conclude and make generalisation. Most of the situations have exceptions and change with culture, language and currency. In a future research the high involvement grocery products may be taken into account.
“Managers spend a lot of time thinking about how to get customers to buy their products and services. But that’s just half of the battle. If organizations wish to build long-term relationships with customers, they must make sure their customers actually use their products. A first step is pricing”

(Gourville & Soman, 2002).
5. Appendix

Appendix 1

Image 1. Woolworths' advertise

Source: (Woolworths, N.D.)
Appendix 2

Image 2. Coles’ advertise

Source: (Coles, 2011)
6. Reference List


