The Neuropricing Effect on Consumers’ Persuasion Knowledge
Outline

• Purpose of research
• Background and context
• Originality of research
• Objectives
• Literature review
• Conclusions
Emotional-related processes can advantageously bias judgement and reason!
Homo Economicus???
Neuromarketing

• We are rather emotional beings (Lindstrom and Underhill, 2010)

• 95% of the decisions people make are made by the subconscious and only 5% of the decisions are conscious ones. (Arendonk, Polderman and Smit, 2013).
Purpose of research

To analyse the degree of pricing tactics effect on human brain and to provide valuable information in order to create and apply more effective price strategies.
What is Neuropricing?

Neuropricing determines ‘willingness-to-pay’ through neuroscientific methods such as EEG.

So, companies no longer have to rely on unreliable explicit statements made by customers.
Neuropricing tools

- Reaction times
- Behavioral experiments
- Eye-tracking
- Facial coding
- EEG
- GSR
- fMRI
Originality of research

• Minimal research has investigated consumers’ persuasion knowledge regarding marketers’ pricing tactics

  (Hardesty, Bearden & Carlson, 2007)

For that reason, we have identified a gap in the literature (lack of research that associates EEG to price reactions).

Therefore, this study attempts to fill the gap in the existing literature using neuromarketing techniques and act as an originator for future research.
Objectives

• The effectiveness of price endings (0, 5 and 9-endings),
• The effectiveness of conspicuous pricing,
• The effectiveness of dynamic pricing
• The effectiveness of “pennies-a-day”
PROPOSED METHODOLOGY

We will apply electroencephalography (EEG), as a safe and noninvasive method, to record brain activity in emotional states such as happiness, relaxation, excitement, stress, sadness, anger etc and therefore help marketers offer consumers not only the right product or the right message but also the right price.
Literature review

- EEG experiments
  - Starbucks experiment (Dr. Kai-Markus Müller)
Price endings

€1000 or... €999,99?

- **Round** price endings connote a **HIGH** price, or a recently increased one.
- **Decimal** price endings connote **LOW**, decreased or discount prices.

(Schindler, 1991)
## Price endings & gender

| Schindler and Kibarian (1996) | **Experiment**: direct mail retailer of women’s clothing  
**Result**: The use of 99 endings (decimal pricing) led to increased consumer purchasing. |
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<tbody>
<tr>
<td>Gendall, Holdershaw and Garland (1997)</td>
<td>Supported this view</td>
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<td>Harris &amp; Bray (2007)</td>
<td><strong>Women</strong> are more likely to respond with odd-endings than men.</td>
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<tr>
<td>Study</td>
<td>Findings</td>
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<td>Stiving (2000)</td>
<td><strong>High-end stores</strong> are more likely to use round prices than lower-priced stores. Moreover, higher quality and higher priced products tend to be priced with round numbers.</td>
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<td>Naipaul and Parsa (2001)</td>
<td><strong>High-end restaurants</strong> prefer 0-ending prices in their menus as opposed to 9-ending prices used by mid-level and low-end restaurants.</td>
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<tr>
<td>Schindler and Kibarian (2001)</td>
<td>Products with 99-ending prices are perceived as having lower prices and lower quality compared with the same products with 0-ending prices.</td>
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Conspicuous pricing
(➔ exclusivity)

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<thead>
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<th>Authors</th>
<th>Description</th>
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<tr>
<td>Bagwell and Bernheim (1996) &amp; Corneo and Jeanne (1997)</td>
<td>Conspicuous consumption is a consequence of consumers' desire to signal their wealth (Veblen effect)</td>
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<td>Amaldoss and Jain, 2005</td>
<td>Maintain a product's exclusivity because consumers might find the product less valuable if it becomes widely available.</td>
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Dynamic pricing

A flexible pricing strategy where a business sets flexible prices for goods based on algorithms that take into account several factors such as:

1. Competitor Pricing
2. Time-based Pricing
3. Supply and Demand
4. Customer Profile
5. External factors in the market
### Dynamic pricing

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<th>Kannan and Kopalle (2001)</th>
<th>Dynamic pricing is a pricing strategy in which prices change either over time, across consumers, or across product/service bundles.</th>
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<td>Garbarino and Lee (2003)</td>
<td>If people feel they are all offered similar prices, they might react strongly regardless of whether they were offered the higher or the lower price.</td>
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Pennies-a-day

• The cost of less than 76c a day sounds much more affordable and attractive than €23 a month.
Conclusions

- Customers are not as **rational** as we believe.

- Psychological pricing does have an **effect** on customer behaviour and subsequently on their purchase decisions.

- EEG leads to **bias free** information about customers’ perceptions, real needs and wants, in order to create the most appropriate price strategies.
References


References


References


NeuromarketMe
Sell to the Brain

- Neuromarketing
- Marketing
- Advertising
- Business Plans
- Consulting
- Education

Thank you!!!
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