

99-cent pricing may not be worth the penny, researcher says

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Just-below pricing, or 99-cent endings, is a common marketing tool used to attract customers looking to get bang for their buck. But a Rutgers–Camden professor says that, in some cases, a penny saved doesn't always translate into a penny earned for retailers.

"The difference between a good product and a poor product in the consumers' eyes could come down to that penny," says Robert Schindler, a professor of marketing at the Rutgers School of Business–Camden.

"When consumers care more about product quality than price, just-below pricing has been found to actually hurt retail sales."

Schindler, one of the world's leading pricing scholars, is conducting a meta-analysis of the effect 99-cent price endings have on consumers. For years, he has studied the marketing strategy behind pricing an item at, say, \$29.99 instead of \$30. The penny may not seem like much, but people actually perceive a big difference in price and think they're getting a bargain.

The illusion, Schindler says, isn't the last number on the price tag. It's the first number.

"People focus more on the left-most digit," says Schindler, who reviewed about 100 different studies in performing his meta-analysis.

"Just-below pricing certainly makes it seem like the price is less than it actually is. It gives an image of being a bargain or a discount."

Schindler says most people won't perceive a big difference in price between a \$20 item and a \$25 item. But by dropping the price of each item by one cent, "something that costs \$19.99 is considered much less expensive when compared to something priced \$24.99."

But while just-below pricing has been effective in increasing sales, Schindler has found that it can also work against retailers.

"On the other side, it can give the image that an item is of low or questionable quality," he says.

Schindler says most people are more concerned about quality over price when buying luxury products, services, or making risky purchases.

"Retailers don't want those items to come across as cheap," Schindler says. "For example, if you're going to do some work on a person's house, you wouldn't want your price to reflect that you might do a poor job. In that case, the customer is concerned about quality and I would suggest not using 99-cent endings. It's better to be straightforward when selling that kind of product."

Schindler has been recognized as one of the top pricing researchers in the world by an article published in the *Journal of Business Research*, which surveyed the articles, authors, and institutions that have contributed most to the topic of pricing over the past 30 years.

The publication recently ranked Schindler as the fourth-most productive pricing researcher in number of articles adjusted for multiple authorship and the 13th-most productive researcher in absolute number of articles.

Schindler's research has had a profound impact on how marketers, retailers, and scholars study consumer behavior. In 2007, Fordham University held a scholarly conference focusing on Schindler's definitive

research. Schindler was awarded the Lifetime Achievement Award in Pricing Research at the conference, which was held in New York.

He recently completed the forthcoming textbook Pricing Strategies: A Marketing Approach (Sage Publications), a book written to make basic pricing concepts more accessible to business students.

"We want students to be able to have the fundamentals so that pricing can be part of their business education, whether they want to be an entrepreneur, part of a big company, part of a small company, or something else," Schindler says.

"Very often, there are far more courses in production, distribution, and promotion than there are in pricing," he says. "That pricing isn't taught that much represents a gap in business education and this book is designed to fill that gap."

Provided by Rutgers University

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