



HOW TO MAKE CUSTOMERS SPEND MORE

AND FEEL LIKE
THEY'VE GOTTEN GREAT VALUE

THE
RETAIL
COLLECTIVE



MESSAGE FROM SAL

Hey there,

In my team we have a long-running joke that we often use as an example at live events (well, it's not really a joke..).

I've discovered I'm a hotel room/accommodation snob. I love staying in nice places. I'm more focused on the decor and amenities (like a fridge) than I am on anything else.

Elizabeth, on the other hand, is happy to stay just about anywhere. BUT she doesn't travel without her \$50 Turkish towels. At which point I usually roll my eyes - who the heck pays \$50 for a towel???

Fiona (who is also a champion cyclist), well, she'll happily camp out in the back of her van, as long as her uber-expensive shampoo has been packed.

We all value different things. Neither is right or wrong. It's just personal preference and what we feel is worth paying for.

However, YOU can game the system!

You can hijack how we perceive that value, and in this Action Plan, I'll show you how to not only get us all spending more, but thinking we've gotten a great deal in the process.



PRICE ANCHORING

THE SCIENCE BEHIND VALUE

SETTING THE BENCHMARK

Anchoring is our tendency to rely on the first piece of information presented to us to make a decision.

Essentially, when a higher price is presented first, it becomes the benchmark against which all prices are evaluated.

HOW DOES THIS TRANSLATE FOR YOUR STORE?

Price anchoring utilizes utilize one (higher priced) product's price to give your customer a frame of reference for valuing all other products.

When you've primed your customer and anchored other products next to the more expensive 'anchor', all of a sudden the "less expensive" item is more appealing - even if it's higher than the customer was prepared to pay before they came to your store!

The perceived value your customer has placed on an item, will change what they are prepared to pay.



SPECIAL DEAL

Limited time offer!

*term and conditions apply

PRICING STRATEGIES

WHICH STRATEGY WORKS FOR YOUR CUSTOMERS?

You know your customer better than anyone else.

What drives their 'value' perception? For some it's going to be added products, for other it may be customer experience. Regardless of what your drives your customer's perception of value, having a price anchor/benchmark is going to increase their average spend AND having them feel like they've gotten amazing value.

Dan Ariely conducted this experiment on a group of 100 MIT students.

He offered an ad example for subscription to The Economist. Overwhelmingly, the more expensive option was chosen.

Why did the Economist even bother with that \$125 "print only" option?

Dan Ariely conducted a second survey to show why.

In that survey, Ariely removed the \$125 "print only" option and asked a separate set of 100 MIT students what they would choose.

Overwhelmingly, the CHEAPEST option was chosen - reducing average order spend, because there was no 'anchor' to benchmark value against.

Subscription Type	Cost For A Year	% Who Chose Offer
Web Only	\$59	16%
Print Only	\$125	0%
Print & Web	\$125	84%

Subscription Type	Cost For A Year	% Who Chose Offer
Web Only	\$59	68%
Print Only	\$125	32%

Need help identifying who your Ultimate Customers are and what drives them? Check out the 'Making It Personal' module inside The Retail Academy



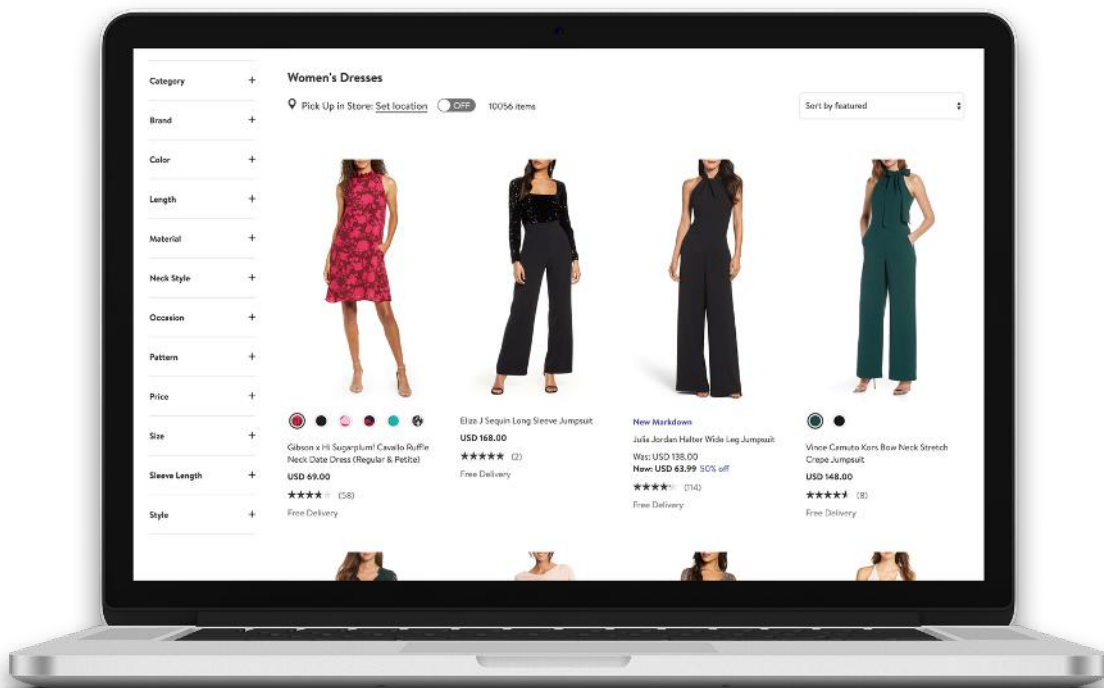
ACTION

ECOMMERCE - PRODUCT ORDER

Think about the first product (or line of products) that a customer is met with in each category of your website.

By presenting higher priced products in the first line, you anchor all further products allowing customers to benchmark their own 'value'.

You can do this by setting your products to appear as Featured, such as Nordstrom.com do in the example below, ordered in Descending order or in some ecommerce platforms you'll be able to set specific products to appear first



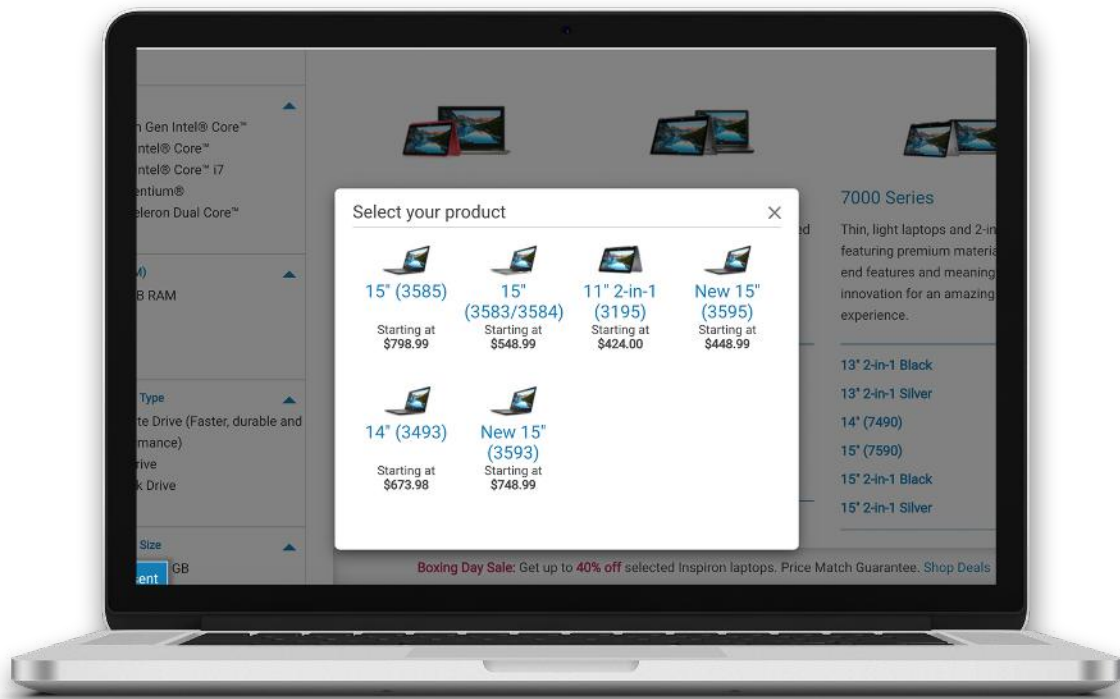
HOW CAN YOU IMPLEMENT THIS ON YOUR WEBSITE

ECOMMERCE & INSTORE - COMPARISON

Do you have different versions/sizes or particular products that allow customers to see the different 'values' at a glance?

When you choose a category on the Dell website, before you even see the options, you're presented with the price comparison for all in the range (note the HIGHEST price is shown first as the anchor).

Instore, the highest-spec product is usually the display model.

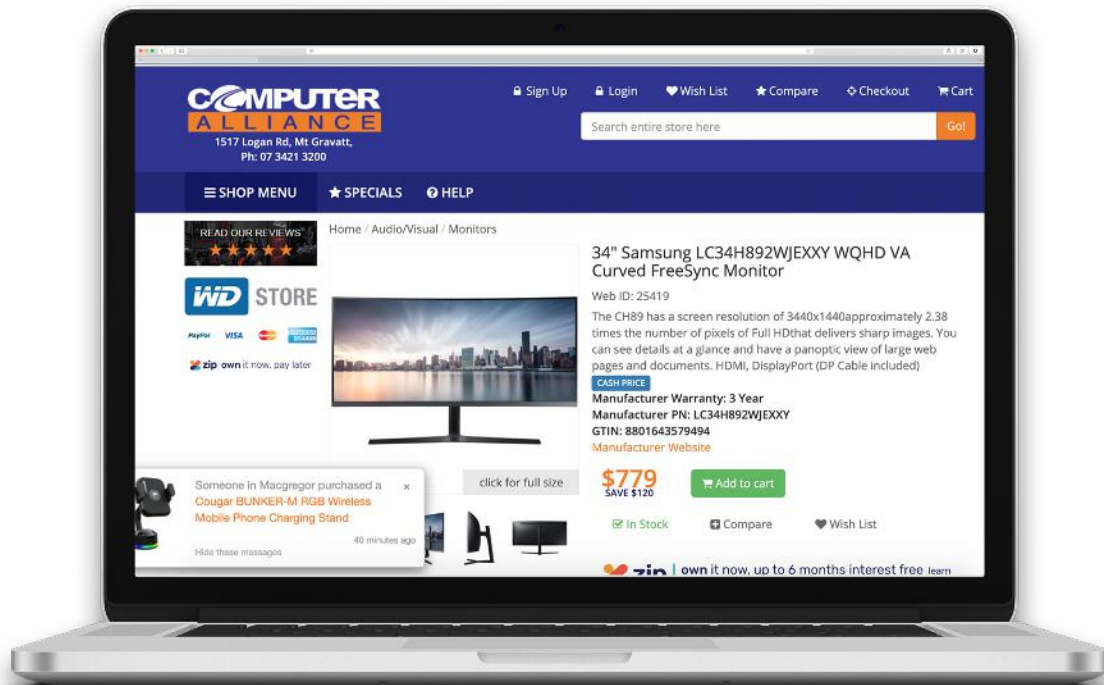


HOW CAN YOU IMPLEMENT THIS IN YOUR STORE/WEBSITE

ECOMMERCE & INSTORE - RRP (OR COMPETITOR'S PRICE) VS YOUR PRICE

Do you have great profit margins or exclusive deals that allow you to offer products at a cheaper price than your competitors? If so, you can use THEIR pricing as an anchor to your, more value driven pricing.

HINT: Not a discounter? No problem - this strategy also works well if you create product bundles when your competitor only offers the single product.



HOW CAN YOU IMPLEMENT THIS IN YOUR STORE/WEBSITE

INSTORE - VISUAL MERCHANDISING HIGHER PRICE POINT PRODUCTS AS THE FOCUS

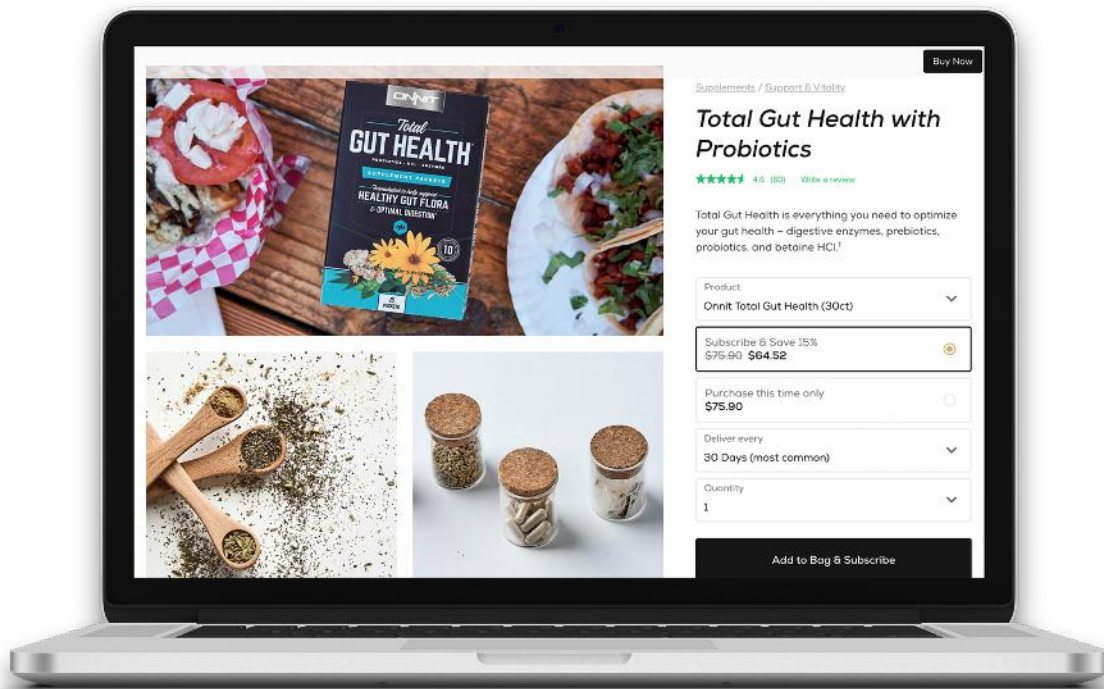
As you've discovered, by setting the 'benchmark' for value utilising higher price point products, it's likely to not only drive up your average order value and customer spend, but also sell more of the mid-tier products. The key to this strategy is strategic visual merchandising to set the price "anchor point".



HOW CAN YOU IMPLEMENT THIS IN YOUR STORE

ECOMERCE & INSTORE - BASE PRICE + OPTIONS/PACKAGES

A great way to increase your Average Order Value is using price anchoring by having the base product listed at a higher price. By combining with upgrades/options/bundles or even subscriptions, (which is how onnit.com structures their pricing strategy), the combination with the highest perceived 'value' for each customer is anchored by the more expensive and feature-less base product.



HOW CAN YOU IMPLEMENT THIS IN YOUR STORE/WEBSITE
