



# HOW TO GET CUSTOMERS TO SPEND MORE

AND FEEL LIKE  
THEY'VE GOTTEN GREAT VALUE



## What You'll Learn

The psychology behind value

How to have customers spend more and still feel they've gotten great value

The simple retail strategies you can implement both on and offline to increase your Average Order Value



## **In the beginning - The Ipad**

After demonstrating the never-seen-anything-like-it-before high resolutions screen and string of features on the iPad, Steve Jobs asked the audience how much they thought this “revolutionary” new device should cost.



“If you listen to the pundits, we’re going to price it at under \$1000, which is code for \$999.”







	16 GB	32 GB	64 GB
WiFi	\$499	\$599	\$699



## How does this translate for you?

Price anchoring is where you utilize one (higher priced) product's price to give your customer a frame of reference for valuing your product

When you've primed your customer and anchored the product next to a more expensive one, all of a sudden the "cheaper" item is more appealing





## **How does this translate for you?**

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



**\$350**

SKINNY

**ONLY \$169**

SKINNY





## The psychology behind value

*In a Vanderbilt University study published in the New York Times Magazine, customers were willing to pay higher prices for a Budweiser if they knew it was coming from an upscale hotel versus a run-down grocery store.*

*The perceived prestige of the upscale hotel allowed it to get away with charging higher prices.*



## The psychology behind value

*Subjects thought it was UNFAIR to pay the same.*

The customers thought it would NOT be FAIR to pay the same, when they had the **experience** of having the same beer in an upscale hotel.



## The psychology behind value

You've experienced this yourself. When you go somewhere 'nice' you expect to pay more.

You're paying for the perceived luxury, the status, the quality that comes with the experience, **your expectation** is that it will be more expensive.

In fact, if the price was too cheap, you may feel that you haven't gotten the value you expected.



## The psychology behind value

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## Does this work online?

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

He offered an ad example for subscription to The Economist.





# The Secret Behind Having A Premium Brand

<b>Subscription Type</b>	<b>Cost For A Year</b>	<b>% Who Chose Offer</b>
<b>Web Only</b>	\$59	16%
<b>Print Only</b>	\$125	0%
<b>Print &amp; Web</b>	\$125	84%



## Why bother?

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



# Why bother?

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



***“When you anchor a product,  
the perceived value can be dramatically  
altered for a customer”***



## Implementing this online

- Order of products (Featured or ordered descending)

- Category +
- Brand +
- Color +
- Length +
- Material +
- Neck Style +
- Occasion +
- Pattern +
- Price +
- Size +
- Sleeve Length +
- Style +

## Women's Dresses

📍 Pick Up in Store: [Set location](#)  OFF 10056 items

Sort by featured ▾



Gibson x Hi Sugarplum! Cavallo Ruffle Neck Date Dress (Regular & Petite)

**USD 69.00**

★★★★★ (58)

Free Delivery



Eliza J Sequin Long Sleeve Jumpsuit

**USD 168.00**

★★★★★ (2)

Free Delivery



**New Markdown**

Julia Jordan Halter Wide Leg Jumpsuit

Was: USD 138.00

Now: **USD 63.99** 50% off

★★★★★ (114)

Free Delivery



Vince Camuto Kors Bow Neck Stretch Crepe Jumpsuit

**USD 148.00**

★★★★★ (8)

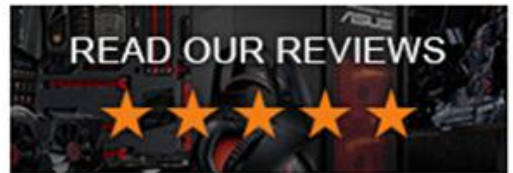
Free Delivery





## Implementing this online

- Order of products (Featured or ordered)
- RRP vs your price



Home / Audio/Visual / Monitors



### 34" Samsung LC34H892WJEXXY WQHD VA Curved FreeSync Monitor

Web ID: 25419

The CH89 has a screen resolution of 3440x1440 approximately 2.38 times the number of pixels of Full HD that delivers sharp images. You can see details at a glance and have a panoptic view of large web pages and documents. HDMI, DisplayPort (DP Cable included)

**CASH PRICE**

Manufacturer Warranty: 3 Year  
Manufacturer PN: LC34H892WJEXXY  
GTIN: 8801643579494

[Manufacturer Website](#)

click for full size

**\$779**  
SAVE \$120

**Add to cart**

**In Stock**

**Compare**

**Wish List**

Someone in Macgregor purchased a **Cougar BUNKER-M RGB Wireless Mobile Phone Charging Stand** 40 minutes ago  
Hide these messages





## Implementing this online

- Order of products (Featured or ordered)
- RRP vs your price
- Base price + options/packages



Buy Now

[Supplements](#) / [Support & Vitality](#)

## Total Gut Health with Probiotics

★★★★★ 4.6 (80) [Write a review](#)

Total Gut Health is everything you need to optimize your gut health – digestive enzymes, prebiotics, probiotics, and betaine HCl.<sup>†</sup>

Product

Onnit Total Gut Health (30ct) ▼

Subscribe & Save 15%  
~~\$75.90~~ \$64.52

Purchase this time only  
\$75.90

Deliver every

30 Days (most common) ▼

Quantity

1 ▼

Add to Bag & Subscribe



## Implementing this online

- Order of products (Featured or ordered)
- RRP vs your price
- Base price + options/packages
- Compare against premium version

7th Gen Intel® Core™

Intel® Core™

Intel® Core™ i7

Pentium®

Celeron Dual Core™

---

RAM

GB RAM

---

Type

SSD Drive (Faster, durable and performance)

Hard Drive


Optical Drive

---







Size

GB

12.5 inch



Select your product ✕

 <b>15" (3585)</b> Starting at <b>\$798.99</b>	 <b>15" (3583/3584)</b> Starting at <b>\$548.99</b>	 <b>11" 2-in-1 (3195)</b> Starting at <b>\$424.00</b>	 <b>New 15" (3595)</b> Starting at <b>\$448.99</b>
 <b>14" (3493)</b> Starting at <b>\$673.98</b>	 <b>New 15" (3593)</b> Starting at <b>\$748.99</b>		

**7000 Series**

Thin, light laptops and 2-in-1 featuring premium materials, advanced features and meaningful innovation for an amazing experience.

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**13" 2-in-1 Black**

**13" 2-in-1 Silver**

**14" (7490)**

**15" (7590)**

**15" 2-in-1 Black**

**15" 2-in-1 Silver**

**Boxing Day Sale:** Get up to **40% off** selected Inspiron laptops. Price Match Guarantee. [Shop Deals](#)



## Why it works

As humans, we're indecisive, so having the option to purchase "the most popular", the "bestseller" or the "staff pick" (aka the anchor product), instantly validates a choice and breaks down the barrier to purchase



## Why it works

Value is perceived - cheap and expensive are relative to, and different for, every person.

Instinctively, we love “value” and have that price benchmark - the price anchor, allows the customer to determine their own relative value, helping them to overcome barriers to purchase.



## Why it works

The majority of customers want to avoid ‘risk’, so the “cheapest” and most “expensive” products will appeal to the minority.

Having an anchored product actually helps you sell MORE mid-range products as a result.



## The Results

Even if you don't think you'll move large quantities of higher priced items, their presence in your store and on your website can actually **increase conversions and increase average order value** both online and instore.





## Quick Tip

Don't artificially inflate prices - customers will see through it

Do try different strategies to see what works for YOUR customers

Do your research and see how 'big brands' in your niche implement price anchoring and test for your brand



## Action Steps

Download the Action Plan

Do your research and check out other brands in your niche

Map out a strategy for implementation