The Power of Pricing
Episode 1: $49.99 or $50.00?
One Penny Makes A Huge Difference

Wednesday, June 3, 2015
1:00 – 1:30 p.m. Eastern

$49.99
$50.00
$49.99
Charm Pricing

$50.00
Rounded Pricing
$49.99 or $50?
One Penny Makes a Huge Difference

$49.99
Charm Pricing

$50.00
Rounded Pricing

Notes...

$49.99
Charm Pricing

$50.00
Rounded Pricing

Rules...
SAF WebBlast

$49.99 or $50?
One Penny Makes a Huge Difference

Austin Area Photo / Anthony Atencia
What remains largely unexplained by our work is “Why 9?” The data and explanations are silent on how customers form beliefs that $9 endings convey favorable information that increases demand for an item.

**Effects of $9 Price Endings on Retail Sales:**

Evidence from Field Experiments

- **Author(s):** Eric T. Anderson, University of Chicago, Graduate School of Business  
  Duncan I. Simester, Sloan School of Management, MIT,
- **Source:** Quantitative Marketing and Economics, 1, 93–110, 2003. # 2003
- **Copyright:** Kluwer Academic Publishers

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**People Don’t Like It**
Apple Is the Most Productive Retailer in the United States

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Sales per square foot (2012)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apple Stores</td>
<td>$3,017</td>
</tr>
<tr>
<td>Tiffany &amp; Co.</td>
<td>$1,936</td>
</tr>
<tr>
<td>lululemon athletica</td>
<td>$1,421</td>
</tr>
<tr>
<td>Coach</td>
<td>$1,371</td>
</tr>
<tr>
<td>Michael Kors</td>
<td>$1,314</td>
</tr>
<tr>
<td>Select Comfort</td>
<td>$1,227</td>
</tr>
<tr>
<td>True Religion</td>
<td>$1,180</td>
</tr>
<tr>
<td>Vera Bradley</td>
<td>$1,082</td>
</tr>
<tr>
<td>Bloks &amp; Mayors</td>
<td>$1,082</td>
</tr>
<tr>
<td>Fairway Market</td>
<td>$1,061</td>
</tr>
</tbody>
</table>

*Based on latest reported trailing 12 months. As of November 2012.

Source: Retail Sales
$49.99 or $50?
One Penny Makes a Huge Difference
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Getty Images
SAF WebBlast

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17 Sold
$44

21 Sold
$39

16 Sold
$34
### Image Communicated by the Use of 99 Endings in Advertised Prices

**Author(s):** Robert M. Schindler & Thomas M. Kibarian  

The 99 ending increases the likelihood that viewers judge an advertised price as relatively low and as representing a discount…
Image Communicated by the Use of 99 Endings in Advertised Prices

Author(s): Robert M. Schindler & Thomas M. Kibarian

The 99 ending increases the likelihood that viewers judge an advertised price as relatively low and as representing a discount. However, in addition to these price-image effects, the 99 ending has negative effects on quality image in the ads sponsored by higher quality retailers.
SAF WebBlast

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Tiffany & Co.

Necklaces & Pendants

Nella necklaces of faceted pendant with silk-like thread. $195.00

NECKレス DRAG BAG

$49.99 or $50?
One Penny Makes a Huge Difference

Razors & Grooming

Mach3 razor blades. $13.75.

MARKET PRICE

$68.00
Notes...

$49.99
Charm Pricing
• implies value, savings

$50.00
Rounded Pricing
• implies quality, status

Rules...
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<th>Rules...</th>
<th>sales &amp; specials - always use charm pricing</th>
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<td>premium &amp; deluxe versions - use rounded pricing</td>
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SAF WebBlast

One Penny Makes a Huge Difference

Rules...

• sales & specials - always use charm pricing
• premium & deluxe versions - use rounded pricing
• don’t be all in on either model – make an informed decision on a case-by-case basis

Notes...

$49.99  Charm Pricing
• implies value, savings

$50.00  Rounded Pricing
• implies quality, status
This Number Just Feels Right: The Impact of Roundedness of Price Numbers on Product Evaluations

Author(s): Monica Wadhwa and Kuangjie Zhang
Source: Journal of Consumer Research, Vol. 41, No. 5 (February 2015), pp. 1172-1185
Published by: The University of Chicago Press

...because rounded numbers are more fluently processed, rounded prices (e.g., $200.00) encourage reliance on feelings. In contrast, because nonrounded numbers are disfluently processed, nonrounded prices (e.g., $198.76) encourage reliance on cognition.

First, our results show that when the purchase decision is driven by feelings, marketers are likely to benefit from pricing the products at rounded prices.

In contrast, when the purchase decision is driven by cognition, marketers are likely to benefit from pricing the products at nonrounded prices.
Notes...

$49.99
Charm Pricing
- implies value, savings
- appeals to reason

$50.00
Rounded Pricing
- implies quality, status
- appeals to emotion

Rules...
- sales & specials - always use charm pricing
- premium & deluxe versions - use rounded pricing
- don’t be all in on either model – make an informed decision on a case-by-case basis

This Number Just Feels Right:
The Impact of Roundedness of Price Numbers on Product Evaluations

Author(s): Monica Wadhwa and Kuangjie Zhang
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Second, our results show that not only do rounded versus nonrounded prices affect the anticipated satisfaction and purchase intention, but it could also affect the perceived product performance. For example, participants perceived the quality of the pictures taken from a camera they were purportedly buying for a vacation to be better when the camera was priced at a rounded number than a nonrounded number. In contrast, they reported the quality of the pictures taken from the camera they were purportedly buying for a class to be better when the camera was priced at a nonrounded as compared to a rounded price.
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- implies value, savings
- appeals to reason
- implies quality, status
- appeals to emotion

**Rules…**

- sales & specials - always use charm pricing
- premium & deluxe versions - use rounded pricing
- don’t be all in on either model – make an informed decision on a case-by-case basis
- pricing will affect not just purchasing but enjoyment

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**SAF WebBlast**

Thank you!