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APPROACHES OF MARKETING INTERACTION: STRATEGIES OF PRICING

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Approach to pricing is a psychological marketing strategy based on the theory that certain prices have a greater psychological impact on consumers than others. It uses the emotional response of the customer to reward the deal. For important assortment items, a company can increase sales without significant price reductions. In some cases, a higher price is more likely to increase sales. Let's take a look at a few key strategies and tactics that are used to maximize customer returns (table) [1-7].

Regarding the first strategy: for the past two decades, marketers have consistently used prices that end in 95 or 96 or 9.99.

However, there is the problem: the first numbers on the left. The following two tactics are actively used in the market. Regarding the tactic one: A study by Manoj Thomas and Vicki Morwitz (2005) [3] explains that “during the estimation of the number '2.99', the process of decoding the value begins as soon as our eyes find the number '2'. Accordingly, the decrypted value of \$ 2.99 is fixed on the leftmost digit (that is, \$ 2) and becomes significantly lower than the decrypted value of the sum of \$ 3.00". Regarding the second tactic: it was found in the research that round prices, because they are processed fluently, perform better in emotional purchases. When the consumer can process prices quickly, then the price is taken for granted. The opposite conclusion is also true. The consumer has to spend more mental resources to process unrounded prices. Therefore, these prices are more suitable for rational shopping.

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Table 1 – Price strategies to maximize customer returns

Strategy	Tactic	Description
Use "attractive prices"	Decrease the left digit by one unit	Attractive prices are most effective when the left digit changes. The one cent difference between \$ 3.80 and \$ 3.79 doesn't really matter. However, one cent difference between the \$ 3.00 and \$ 2.99 prices seems huge.
	Rounding Must Be Right	One aspect of the price to consider is its "roundness". Exact round prices (\$ 100) are handled very fluently, while non-rounded prices (\$ 98.76) are much more difficult to process.
Reframe prices	Separate Packaging/ Shipping Costs	If the product is being sold online, then it is worth separating the cost of packaging and shipping.
	Offer Hire Purchase	You are selling online course for \$ 499. By offering to pay in installments (for example, 5 installments of \$ 99), you interfere with how people compare prices. Most likely, they will compare the installment payments (\$ 99) with your competitor's total product price and this big difference makes your offer much more attractive.
Create a mindset for perception of small values	Use a smaller font size	The physical size of symbols in price can affect perception. Due to the fluency in information processing, people will perceive the cost as small if you write it in a smaller font size.
	Use Congruent Language	Robin A. Coulter, Keith S. Coulter (2005) presented participants with different descriptions of roller skates. In some descriptions, special emphasis was placed on "low coefficient of friction". Other descriptions have focused on "high performance".
Maximize Target Prices	Start Negotiations With High, Accurate Numbers	In one study, Janiszewski and Wee (2008) asked participants to estimate the real cost of a TV based on the suggested retail price - which was \$ 4,998, \$ 5,000, or \$ 5,012. When participants were given more accurate values (\$ 4,998 and \$ 5,012), they estimated the true value of the TV to be close to those prices. If the offered price was rounded (\$ 5,000), the participants believed that the real price was much lower.
	Show People Any Higher Prices	Araïli, Lowenstein and Prelek (2003) showed participants different products. They asked participants if they would pay the equivalent of the last two digits of their Social Security number for each product. After receiving answers, the researchers then asked the participants to estimate the exact cost they would be willing to pay. The researchers found a correspondence between the social security number and the price participants are willing to pay.
	Raise the prices of the previous version of the product	Some companies choose to understate the price of the old version of the product in order to gradually eliminate it from the market. Surprisingly, however, this strategy is often the wrong approach to pricing.

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tactics are actively used in the market. Regarding the tactic one: A study by Manoj Thomas and Vicki Morwitz (2005) [3] explains that “during the estimation of the number '2.99', the process of decoding the value begins as soon as our eyes find the number '2'. Accordingly, the decrypted value of \$ 2.99 is fixed on the leftmost digit (that is, \$ 2) and becomes significantly lower than the decrypted value of the sum of \$ 3.00". Regarding the second tactic: it was found in the research that round prices, because they are processed fluently, perform better in emotional purchases. When the consumer can process prices quickly, then the price is taken for granted. The opposite conclusion is also true. The consumer has to spend more mental resources to process unrounded prices. Therefore, these prices are more suitable for rational shopping.

The following two tactics are actively used in the market. Regarding the tactic one: When one use “split pricing” (that is, one breaks down the total cost into many pieces), one is capturing customer perceptions on the baseline cost, not the actual total cost» (Vicki G. Morwitz, Eric A. Greenleaf, and Eric J. Johnson, 1998) [2]. And when people compare the benchmark value with the price again, it is likely that the baseline value will be involved in the comparison. Regarding the tactic two: when one gives people the opportunity to pay for the product in small installments (rather than one large sum), you are tying customers’ perception to small prices. Regarding the third strategy: the previous strategy explained how digital anchors can influence people's perception of the price. However, one can influences the perception of people through general values.

If one wants people to perceive the prices as less than they really are, one need to make sure that all relevant price characteristics are associated with small values. The following two tactics are used in the market.

Regarding the first tactic: this tactic is especially effective when you are pitting your value against a target price in large print. Regarding the second tactic: even though the participants rated these characteristics as equivalent, they nevertheless perceived value more favorably if the product description included the words “low coefficient of friction”. If you choose a text language that will be near your price, choose words that are “congruent” with a low cost (“low,” “small,” “tiny”).

Regarding the fourth strategy, the last two strategies have helped one reduce the perceived value. However, one can achieve the same effect by maximizing the target prices. Regarding the first tactic: “thanks to the anchor effect, it’s not surprising that sellers can get more money by starting negotiations with a higher initial bid” (Adam D. Galinsky, Thomas Mussweiler, 2001) [6]. This high number sets the so-called anchor point, pulling the final value of the product closer to its level. But it is worth starting negotiations not only with a high initial cost, but also with the appointment of a very accurate price. Regarding the second tactic: The anchoring effect occurs subconsciously, so there is no need for buyers to invent a numeric anchor. In fact, Rashmi Adaval and Kent B. Monroe (2002) [7] presented people with higher numbers before showing the value. This maneuver created an environment in which people perceived the proposed value as lower. Regarding the tactic three: Walter Baker, Michael Marn, and Craig Zawada (2010) «propose increasing the cost of the older version of the product. By raising the value, you are raising the target price in people's minds (thus increasing the perceived value of your new product). Then the

release of the new product will take place in more favorable conditions». Conversely, if you reduce the cost of the old product, you are setting yourself up for failure. You will further reinforce the low values of the reference price in the minds of people, and as a result, the price of the new product will seem overpriced.

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