

The Pricing Conundrum

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NFT has digitalized the symbolism of self -concept, when a consumer pays a premium to buy the NFT associated with a brand in- order to enhance his/ her virtual self- identity in the digital space. Even in an era of digitalization , the pricing conundrum will continue to baffle the manager, with several complex factors that include proliferation of categories, brand ads, offerings, online discounts, and the influence of social media; and perceived value is something that is decided by the consumer's psyche.

Pricing for marketers and prices for the consumer will never get outdated, with or without the digitalization of marketing and branding. Price conveys one aspect of the value, which includes the money, effort, and time (sacrifices) made by the consumer, for the benefits received from the brand. The benefits can be economical (savings) or psychological (emotional that also includes risk reduction) or functional or a combination of these aspects.

While the iPhone may hold an appeal to many consumers who can afford it, it may appear as an overpriced snob device to some of the consumers (fortunately for such brands, there are scores of consumers who may even spend the night outside a queue of the retail outlet to be the "first privileged lot" to buy the brand). Without such an explanation, marketing as a science and an art will cease to exist.

In simple terms perception is a process, that adds meaning to what has been sensed (perceived). When it comes to branding, what has been "sensed" include not just the visual aspects of the brand, but "Value Perception" associated with it. This is at the core of branding. For luxury brands like Omega watches (an old category) or a high priced foldable mobile phone (a relatively a new category like the one offered by Samsung, the Veblen effect comes into the perceptual processes (incidentally, Hirsch was perhaps one of the earliest economists to link prices with status). Consumers buy these high- priced offerings either under the belief that they are high in quality and, also for the conspicuous consumption that may reflect the snob effect (signal about the self). Conversely, a consumer looking for more at a lower price with respect to an offering (in a supermarket), also is interested in value but this is different from the earlier segment.

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Perception of money

Just noticeable difference or jnd is a pricing technique (that can incidentally be also used to reposition brands). In order to explain how the jnd works, consider the following scenario as

an example - consumer who cherry picks (efforts involved in visiting several shops to get the maximum value, generally to save money while buying groceries for about Rs 1000) with a view to save Rs 100 may not perceive same value of money (Rs 100) being spent for an additional vegetable basket while buying a new two wheeler, due to the cost of the scooter involved that may be around Rs 80000 or so (this is known as Weber's law) This means that money perception of the same value is relative to the value of money associated with the end purchase of the consumer. Such comparisons happen at the unconscious level of the consumer's psyche, and they are not aware of it.

Recent research from Harvard ("Upgrade your pricing strategy to match consumer behavior" in the May 2020 issue), suggests a very interesting strategy that brands benefit from, by using perception to enhance the value among the respective target segment of consumers.

Convert the intangibles into tangibles wherever there is a possibility

During summer it is not uncommon to find consumers shopping for an air-conditioner. Decades back a luxury category that held interest only among the higher income bracket of consumers has today penetrated, into middle class households aided by the instalment-based approaches, very popular in the Indian context. An ad for a well-known brand of air-conditioner (ac) is built around an emotional bond, the son gifts an ac (of the brand of course) as a surprise gift to his mother, who is a typical chore ridden middle class housewife who longs of an ac but does not articulate her wish. The storyline of the ad is likely to capture, the realistic sentiments of many prospective consumers. It may be effective in getting the brand into, the consideration set of the consumer's decision making process. But the same segment is also interested in saving money, generally in the form of discounts while they consider several brands and retail outlets.

The ad of the brand being discussed also makes a mention of its star rating and the resulting energy savings in a general manner. Let us imagine a scenario where the advertised brand mentioned carries a label that provides an indication of the electrical energy saved for five years (and makes a mention of it in the ad as well). The ad with such an enhanced appeal and the possible proposition being explained by the salesperson at the retail outlet of the respective brand is likely to impact the consumer much more than an emotional ad in a standalone mode. This is an example of how the price perception can be associated with emotionality and rationality both at the ad and point of purchase level. Besides, brands that innovate to get a pioneering lead through technology, may have to think through ways of such innovations becoming a part of the branding process.

Signaling the appropriate value perception, makes it truly valued in the perception of consumers.

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