

Behavioural Pricing

By Megan Moore, Senior Consultant at Pearson Ham



Nailed it! I press “send” and sit back in my chair feeling very smug. Have I discovered a savvy statistical technique to solve data endogeneity? Have I created a pareto superior strategy to tackle the competitive landscape? Have I secured a major new client? Better. I have just decided what to order for team lunch. Friday is going to be a very good day indeed.

If you think it is a simple decision, you are very much mistaken. It involves close examination of product and price, in a relative context. I am trying to decide between the black bean & cheese quesadilla or the grilled chicken & avocado taco: I have had the former before and know that it is delicious. However, it is £4.65. I could get the chicken and avocado taco for £4.95, which is only 30p more. Chicken and avocados are both expensive ingredients so this must be better value. Grilled chicken & avocado taco it is.

Traditional economic theory dictates that customers should choose the option that provides them with the largest surplus (surplus = utility – price). Therefore, I should only choose the taco if the joy of consuming it is greater than the 30p extra I must pay for it. If this is true, why on earth am I basing my decision on the relative production costs?! This should be irrelevant in my choice. Despite thinking of myself as a highly logical being, I sometimes make decisions based on factors that aren’t really justified. I am not alone in this: consumers are known for acting “unpredictably” and “irrationally”.

Pearson Ham intend to shed light on this area of behaviour science and explain how it can be used to strategically improve pricing. Join us at our next breakfast event where we hope to help provide your business with a process to explore which biases are relevant to your business and develop an appropriate pricing solution accordingly.

ABOUT PEARSON HAM

Pearson Ham is a specialist pricing consultancy. We offer a bespoke service, tailored to your business strategy. We take great pride in our collaborative approach and are passionate about finding and unlocking value where you didn’t know it existed.

Our approach is insight-led and influenced by your industry, market and customers. Our experience, our commercial knowledge and our key analytical skills help you better understand the world in which you are pricing, for both your business and your sector.

As trusted experts, we use our insight, analysis, implementation and monitoring framework to design tailored pricing strategies that optimise your profits, margins and overall business performance.

Our award-winning team is a mixture of consultants and industry practitioners, but ultimately, we are all pricing specialists. We have broad experience across a wide range of sectors, so not only can we apply our same-sector intelligence, we can also bring our knowledge of other sectors to your business.

CONTACT US

To find out more and to discuss challenges in your business where our pricing expertise can help, call us on +44 (0) 203 583 9969 or email us at contact@pearsonham.com.