

Book Review

Priced to Influence, Sell & Satisfy: Lessons from Behavioral Economics for Pricing Success

Author:

Utpal Dholakia

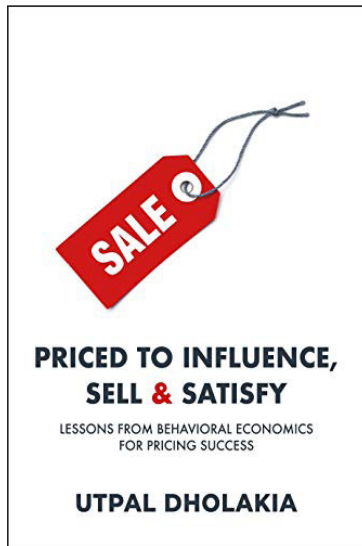
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Book Reviewer:

Balachandar Kaliappan,

Lecturer in Marketing,
TUM School of Management,
Chair of Marketing, Munich



Pricing is one of the most significant factors in the firm's success. When the pricing of products and services is designed and leveraged, it will generate profits, improve the brand image, and helps in reducing customer churn. Traditionally there are many approaches to pricing - value-based pricing, margin-based pricing, and mark-up pricing. In the book *Priced to Influence, Sell & Satisfy*, written by Utpal Dholakia, he guides the managers and entrepreneurs of a firm to set prices based on the recent findings from behavioral economics research. The book has seven chapters with anecdotes from several markets across the globe.

In the first chapter, "What is Psychological Pricing," the author explains the importance of pricing and the four pillars of value-based pricing. Later, the chapter focuses on why considering the human factor is significant in pricing, how to price products based on the customer decision journey, and the need-adaptive customer journey framework. The author focuses on the need-adaptive customer journey as it sets the platform for the rest of the chapters in the book, and it can capture 16 different psychological states of a customer.

The second chapter explains the hidden meanings of price. Specifically, it focuses on the superstitions around pricing and its role in customers' decision-making.

For example, the product price in the Chinese market always ends with eight rather than the conventional wisdom of 9 - since the Chinese consider the number eight lucky. Further, the chapter explains the symbolic meaning behind price endings, like 0, 5, 8, 9, 95, and 99 and ends with the components of the price image.

The third chapter unravels why price information is not stored in the long-term memory of customers and how marketers can measure customers' price knowledge with the help of the Vanhuele-Drèze method. The chapter ends with two major topics - price and quality associations and the placebo pricing effect. In the fourth chapter, the author explains how customers use decision heuristics to make a buying decision. Further, the author guides managers and entrepreneurs to understand the customers' decision heuristics and use them to create a favorable impression of their products and services.

Chapter five explains how the context has an impact on pricing policies. The chapter gets into the core behavioral economics principles like anchoring, attraction, compromise, and similarity effects and how managers can potentially use them to price their products. Later the chapter focuses on when to do all-inclusive and partitioned pricing.

In chapter six, the author argues that almost all the product prices are negotiable. Further, the author explains how the Pay-What-You-Want, Name Your Own Price, Uber Surge pricing, and frequent price changing work. I considered this chapter exquisite as this chapter details some of the newly emerging approaches to pricing.

Finally, the seventh chapter focuses on promoting sales using different pricing approaches like coupons, price-matching guarantees, and discounts in a physical and online shopping context. Further, the chapter shows how to facilitate buying using scarcity pricing, loyal rewards, and goal gradient motivation.

To sum up, Prof. Dr. Utpal Dholokia's book on pricing satisfies both the need of academicians and practitioners. The academicians are benefited from the vast amount of literature listed by the author, and practitioners get orientation on different topics of behavioral economics and its application. The beauty of the book lies in explaining how and when to use the pricing techniques across different stages of the need-adaptive customer journey. Moreover, the examples given in the book facilitate the reader's understanding of complex topics. The book is highly recommended for business students, marketing professors, managers, and entrepreneurs.